UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 001-32559

Medical Properties Trust, Inc.
MPT Operating Partnership, L.P.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**20-0191742**
Delaware	**20-0242069**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
1000 Urban Center Drive, Suite 501 Birmingham, AL	**35242**
(Address of Principal Executive Offices)	**(Zip Code)**

(205) 969-3755

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.001 per share, of Medical Properties Trust, Inc.	MPW	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Medical Properties Trust, Inc. Yes ☒ No ☐ MPT Operating Partnership, L.P. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Medical Properties Trust, Inc. Yes ☐ No ☒ MPT Operating Partnership, L.P. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Medical Properties Trust, Inc. Yes ☒ No ☐ MPT Operating Partnership, L.P. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Medical Properties Trust, Inc. Yes ☒ No ☐ MPT Operating Partnership, L.P. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Medical Properties Trust, Inc.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

MPT Operating Partnership, L.P.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in 12b-2 of the Act).

Medical Properties Trust, Inc. Yes ☐ No ☒ MPT Operating Partnership, L.P. Yes ☐ No ☒

As of June 30, 2019, the aggregate market value of the 392,133,979 shares of common stock, par value $0.001 per share ("Common Stock"), held by non-affiliates of Medical Properties Trust, Inc. was $6,838,816,594 based upon the last reported sale price of $17.44 on the New York Stock Exchange on that date. For purposes of the foregoing calculation only, all directors and executive officers of Medical Properties Trust, Inc. have been deemed affiliates.

As of February 21, 2020, 520,927,310 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of Medical Properties Trust, Inc. for the Annual Meeting of Stockholders to be held on May 21, 2020 are incorporated by reference into Items 10 through 14 of Part III, of this Annual Report on Form 10-K.

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EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the year ended December 31, 2019, of Medical Properties Trust, Inc., a Maryland corporation, and MPT Operating Partnership, L.P., a Delaware limited partnership, through which Medical Properties Trust, Inc. conducts substantially all of its operations. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our," "our company," "Medical Properties," "MPT," or "the Company" refer to Medical Properties Trust, Inc. together with its consolidated subsidiaries, including MPT Operating Partnership, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to "our operating partnership" or "the operating partnership" refer to MPT Operating Partnership, L.P. together with its consolidated subsidiaries.

CAUTIONARY LANGUAGE REGARDING FORWARD LOOKING STATEMENTS

We make forward-looking statements in this Annual Report on Form 10-K that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans, and objectives. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business strategy;
- our projected operating results;
- our ability to acquire, develop, and/or manage additional facilities in the United States ("U.S."), Europe, Australia, or other foreign locations;
- availability of suitable facilities to acquire or develop;
- our ability to enter into, and the terms of, our prospective leases and loans;
- our ability to raise additional funds through offerings of debt and equity securities, joint venture arrangements, and/or property disposals;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to pay, future distributions;
- our ability to service our debt and comply with all of our debt covenants;
- our ability to compete in the marketplace;
- lease rates and interest rates;
- market trends;
- projected capital expenditures; and
- the impact of technology on our facilities, operations, and business.

The forward-looking statements are based on our beliefs, assumptions, and expectations of our future performance, taking into account information currently available to us. These beliefs, assumptions, and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our common stock and other securities, along with, among others, the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in this Annual Report on Form 10-K, including those set forth under the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business;"
- the political, economic, business, real estate, and other market conditions of the U.S. (both national and local), Europe (in particular Germany, the United Kingdom, Spain, Italy, Portugal, and Switzerland), Australia, and other foreign jurisdictions;
- the risk that a condition to closing under the agreements governing any or all of our outstanding transactions that have not closed as of the date hereof (including the transactions described in Note 8 to Item 8 of this Annual Report on Form 10-K) may not be satisfied;
- the possibility that the anticipated benefits from any or all of the transactions we enter into will take longer to realize than expected or will not be realized at all;
- the competitive environment in which we operate;
- the execution of our business plan;

- financing risks;
- acquisition and development risks;
- potential environmental contingencies and other liabilities;
- adverse developments affecting the financial health of one or more of our tenants, including insolvency;
- other factors affecting the real estate industry generally or the healthcare real estate industry in particular;
- our ability to maintain MPT's status as a REIT for federal and state income tax purposes;
- our ability to attract and retain qualified personnel;
- changes in foreign currency exchange rates;
- changes in federal, state, or local tax laws in the U.S., Europe, Australia or other jurisdictions in which we may own healthcare facilities;
- healthcare and other regulatory requirements of the U.S., Europe, Australia, and other foreign countries; and
- the political, economic, business, real estate, and other market conditions of the U.S., Europe, Australia, and other foreign jurisdictions in which we may own healthcare facilities, which may have a negative effect on the following, among other things:
    - the financial condition of our tenants, our lenders, or institutions that hold our cash balances, which may expose us to increased risks of default by these parties;
    - our ability to obtain equity or debt financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities, refinance existing debt, and our future interest expense; and
    - the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.

When we use the words "believe," "expect," "may," "potential," "anticipate," "estimate," "plan," "will," "could," "intend," or similar expressions, we are identifying forward-looking statements. You should not place undue reliance on these forward-looking statements. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained in this Annual Report on Form 10-K.

ITEM 1. *Business*

Overview

We are a self-advised real estate investment trust ("REIT") formed in 2003 to acquire and develop net-leased healthcare facilities. We currently have investments in 388 facilities and approximately 41,000 licensed beds in 34 states in the U.S., in six countries in Europe, and across Australia. We have operated as a REIT since April 6, 2004, and accordingly, elected REIT status upon the filing of our calendar year 2004 federal income tax return. Medical Properties Trust, Inc. was incorporated under Maryland law on August 27, 2003, and MPT Operating Partnership, L.P. was formed under Delaware law on September 10, 2003. We conduct substantially all of our business through MPT Operating Partnership, L.P.

We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases, which require the tenant to bear most of the costs associated with the property. We also make mortgage loans to healthcare operators collateralized by their real estate assets. In addition, we selectively make other loans to certain of our operators through our taxable REIT subsidiaries ("TRS"), the proceeds of which are typically used for acquisition and working capital purposes. Finally, from time to time, we acquire a profits or equity interest in our tenants that gives us a right to share in such tenants' profits and losses. Our business model facilitates acquisitions and recapitalization, and allows operators of healthcare facilities to unlock the value of their real estate assets to fund facility improvements, technology upgrades, and other investments in operations.

Our investments in healthcare real estate, other loans, and any equity investments in our tenants are considered a single reportable segment as further discussed in Note 1 of Item 8 in Part II of this Annual Report on Form 10-K. All of our investments are currently located in the U.S., Europe and Australia.

At December 31, 2019 and 2018, our total assets were made up of the following (dollars in thousands):

	2019		2018	
Real estate owned (gross)	$ 9,994,844	69.1%	$ 5,868,340	66.3%
Mortgage loans	1,275,022	8.8%	1,213,322	13.7%
Other loans	544,832	3.8%	373,198	4.2%
Construction in progress	168,212	1.2%	84,172	1.0%
Other	2,484,421	17.1%	1,304,611	14.8%
Total assets(1)	$ 14,467,331	100.0%	$ 8,843,643	100.0%

(1) At December 31, 2019, our total pro forma gross assets were $16.5 billion, which represents total assets plus accumulated depreciation and amortization adjusted for all binding real estate commitments and unfunded amounts on development deals and commenced capital improvement projects at December 31, 2019 – see section titled "Non-GAAP Financial Measures" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K.

Revenue by Property Type:

The following is our revenue by property type for the year ended December 31 (dollars in thousands):

	2019		2018		2017	
General acute care hospitals	$ 741,232	86.8%	$ 596,426	76.0%	$ 488,764	69.4%
Inpatient rehabilitation hospitals	83,515	9.8%	158,193	20.2%	173,149	24.6%
Long-term acute care hospitals	29,450	3.4%	29,903	3.8%	42,832	6.0%
Total revenues(1)	$ 854,197	100.0%	$ 784,522	100.0%	$ 704,745	100.0%

(1) For 2019 and 2018, our adjusted revenues were $938.2 million and $816.9 million, respectively, which adjusts actual total revenues to include our pro rata portion of similar revenues in our five real estate joint venture arrangements. See section titled "Non-GAAP Financial Measures" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K.

See "Overview" in Item 7 of this Annual Report on Form 10-K for details of transaction activity for 2019, 2018, and 2017. More information is available at www.medicalpropertiestrust.com.

Portfolio of Properties

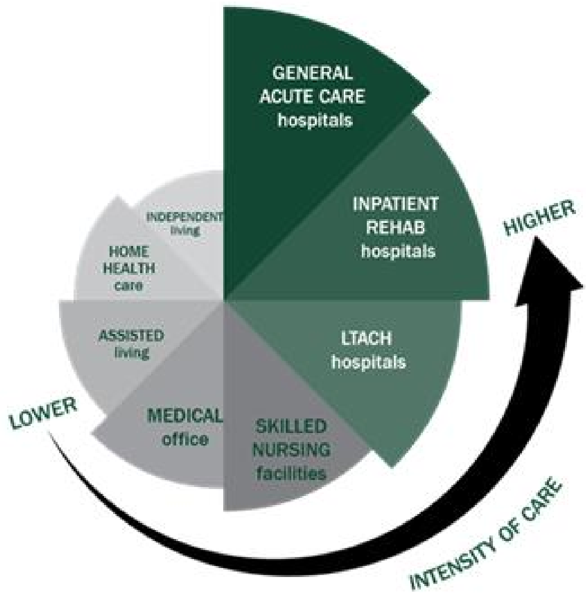
As of February 21, 2020, our portfolio consisted of 388 properties: 366 facilities are leased to 41 tenants, three are under development, 11 are in the form of mortgage loans to five operators, and eight properties are not currently leased to a tenant, as discussed in Note 3 to Item 8 of this Annual Report on Form 10-K. Of our portfolio of properties, 97 facilities are owned by way of joint venture arrangements in which we hold a 50% or less ownership interest. Our facilities consist of 259 general acute care hospitals, 106 inpatient rehabilitation hospitals ("IRFs"), and 23 long-term acute care hospitals ("LTACHs").

Outlook and Strategy

Our strategy is to lease the facilities that we acquire or develop to experienced healthcare operators pursuant to long-term net leases. Alternatively, we have structured certain of our investments as long-term, interest-only mortgage loans to healthcare operators, and we may make similar investments in the future. Our mortgage loans are structured such that we obtain annual cash returns similar to our net leases. In addition, we have obtained and may continue to obtain profits or other interests in certain of our tenants' operations in order to enhance our overall return.

The market for healthcare real estate is extensive and includes real estate owned by a variety of healthcare operators. We focus on acquiring and developing those net-leased facilities that are specifically designed to reflect the latest trends in healthcare delivery methods and that focus on the most critical components of healthcare. We typically invest in facilities that have the highest intensity of care (as shown by the graph below) including:

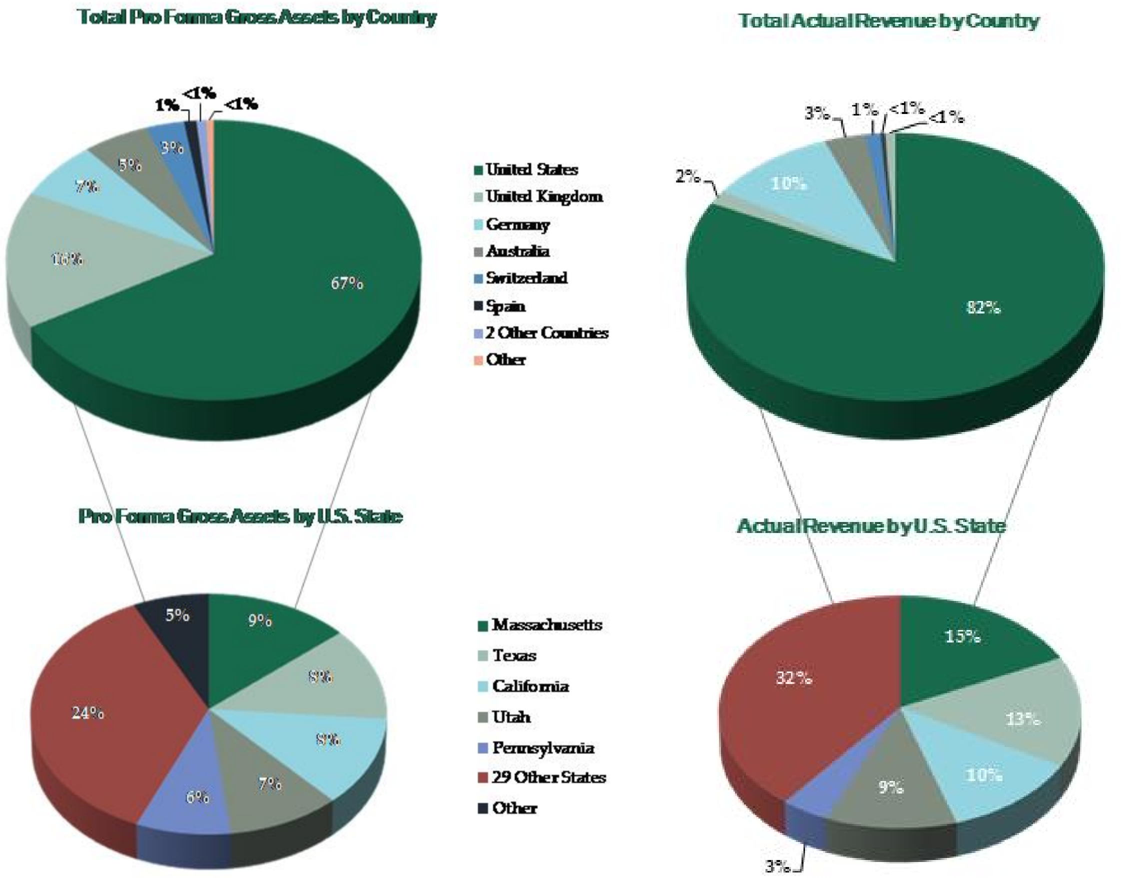
- General acute care — provides inpatient care for the treatment of acute conditions and manifestations of chronic conditions. This type of facility also provides ambulatory care through hospital outpatient departments and emergency rooms.
- IRFs — provides rehabilitation to patients with various neurological, musculoskeletal orthopedic, and other medical conditions following stabilization of their acute medical issues.
- LTACHs — a specialty-care hospital designed for patients with serious medical problems that require intense, special treatment for an extended period of time, sometimes requiring a hospital stay averaging in excess of three weeks.



Diversification

A fundamental component of our business plan is the continued diversification of our portfolio. We monitor diversification in several ways including concentration in any one facility, our tenant relationships, the types of hospitals we own, and the geographic areas in which we invest.

At December 31, 2019, no single property accounted for more than 2.6% of our total assets (or 2.3% of our total pro forma gross assets), down from approximately 4% at December 31, 2018. From a tenant relationship perspective, see section titled "Significant Tenants" below for detail. See sections titled "Revenue by Property Type" and "Portfolio of Properties" above for information on the diversification of our hospital types. From a geographical perspective, we have investments across the U.S., Europe, and Australia. See below for investment and revenue concentration in the U.S. and our global concentration at December 31, 2019:



Underwriting/Asset Management

Our revenue is derived from rents we earn pursuant to the lease agreements with our tenants, from interest income from loans to our tenants and other facility owners, and from profits or equity interests in certain of our tenants' operations. Our tenants operate in the healthcare industry, generally providing medical, surgical, and rehabilitative care to patients. The capacity of our tenants to pay our rents and interest is dependent upon their ability to conduct their operations at profitable levels. We believe that the business environment of the industry segments in which our tenants operate is generally positive for efficient operators. However, our tenants' operations are subject to economic, regulatory, and market conditions that may affect their profitability, which could impact our results. Accordingly, we monitor certain key performance indicators that we believe provides us with early indications of conditions that could affect the level of risk in our portfolio.

Key factors that we consider in underwriting prospective tenants and in our ongoing monitoring of our tenants' (and guarantors') performance include the following:

- the scope and breadth of clinical services and programs, including utilization trends (both inpatient and outpatient) by service type;
- the size and composition of medical staff and physician leadership at our facilities, including specialty, tenure, and number of procedures performed and/or referrals;
- an evaluation of our operator's administrative team, as applicable, including background and tenure within the healthcare industry;
- facility operating performance measured by current, historical, and prospective operating margins (measured by a tenant's earnings before interest, taxes, depreciation, amortization, management fees, and facility rent) of each tenant and at each facility;
- the ratio of our tenants' operating earnings to facility rent and to other fixed costs, including debt costs;
- changes in revenue sources of our tenants, including the relative mix of public payors (including Medicare, Medicaid/MediCal, and managed care in the U.S., as well as equivalent payors in Europe and Australia) and private payors (including commercial insurance and private pay patients);
- trends in tenants' cash collections, including comparison to recorded net patient service revenues;
- tenants' free cash flow;
- the potential impact of healthcare legislation and other regulations (including changes in reimbursement) on our tenants' profitability and liquidity;
- the potential impact of any legal, regulatory, or compliance proceedings with our tenants;
- an ongoing assessment of the operating environment of our tenants, including demographics, competition, market position, status of compliance, accreditation, quality performance, and health outcomes as measured by The Centers for Medicare and Medicaid Services ("CMS"), Joint Commission, and other governmental bodies in which our tenants operate; and
- the level of investment in the hospital infrastructure and health IT systems.

Healthcare Industry

The delivery of healthcare services, whether in the U.S. or elsewhere, requires real estate. As a consequence, healthcare providers depend on real estate to maintain and grow their businesses. We believe that the healthcare real estate market provides investment opportunities due to the:

- compelling demographics driving the demand for health services;
- specialized nature of healthcare real estate investing; and
- consolidation of the fragmented healthcare real estate sector.

As noted previously, we have investments in eight different countries around the world and across three continents. Although there are regulatory, cultural, and other differences between these countries, the importance of healthcare and its impact on the economy is a consistent theme. See below for details of the healthcare industry in each of the countries in which we do business:

United States

- Healthcare is one of the largest industries in the U.S. based on GDP, according to the National Health Expenditures report dated February 20, 2019 by the CMS.
- Under current law, national health spending is projected to grow at an average rate of 5.5% per year for the 2018-2027 period and to reach nearly $6.0 trillion by 2027.
- Health spending is projected to grow 0.8% faster than GDP per year over the 2018-2027 period; as a result, the health share of GDP is expected to rise from 17.9% in 2017 to 19.4% by 2027.
- Prices for healthcare goods and services are projected to grow somewhat faster over the 2018-2027 period (2.5% compared to 1.1% for the 2014-2017 period).
- As a result of comparatively higher projected enrollment growth, average annual spending growth in Medicare (7.4%) is expected to exceed that of Medicaid (5.5%) and private health insurance (4.8%).
- Hospital spending is projected to have grown 4.4% in 2018.
- Hospital spending growth is projected to accelerate to 5.7% per year on average over the 2020-2027 period because of faster spending growth from all payors and Medicare in particular.

Germany

- Healthcare is the single largest industry in Germany. Behind only the U.S., Switzerland, and Norway, Germany's healthcare expenditures represent approximately 11.2% of its total GDP according to the Organization for Economic Co-operations and Development's ("OECD") 2019 data.
- Germany has a universal, multi-payor health care system paid for by a combination of statutory health insurance and private health insurance.
- Health insurance is compulsory for the whole population in Germany.
- Approximately 12.5% of the population have private health insurance.
- The German rehabilitation market (which includes the majority of our facilities in Germany) serves a broader scope of treatment with 1,233 rehabilitation facilities (compared to 1,165 in the U.S.) and 208.5 facilities per 100,000 population (compared to 114.7 in the U.S.).
- The German Social Code mandates universal access coverage for rehabilitation hospitalization and a high standard of care.
- Germany spends approximately 7.4% of health spending for inpatient facilities on prevention and rehabilitation facilities.
- Approximately 90% of the payments in the German health care system come from governmental sources. The largest payor category is the public pension fund system representing 39% of payments. Public health insurance and payments for government employees represent 46% of payments. The balance of the payments into the German rehabilitation market come from a variety of sources including private pay and private insurance.

United Kingdom

- Healthcare services in the United Kingdom are primarily provided through the National Health Service ("NHS").
- In 2018, the United Kingdom spent 9.8% of GDP on healthcare.
- The majority of public healthcare funding comes from general taxation, and a smaller proportion from national insurance through a payroll tax. The NHS also receives income from copayments, people using NHS services as private patients, and some other minor sources.
- Approximately 10.5% of the United Kingdom population have private voluntary health insurance provided mostly through employers. Private insurance offers patients improved access and avoidance of long queues to access elective hospital services.
- Publicly owned hospitals are organized either as NHS trusts, approximately 72 in number, or as foundation trusts, approximately 150 in number.
- Approximately 550 private hospitals are located in the United Kingdom (of which we own 42 of these facilities at February 21, 2020) and offer a range of treatments.
- Hospital charges to private patients are not regulated, and they receive no public subsidies.

- Approximately 3.6% of NHS funding is used to support private hospitals.

Australia

- Healthcare is a large and growing industry in Australia, currently ranked 4th among industries based on percentage of GDP.
- An estimated 25.2 million people comprise the population of Australia.
- Healthcare spending was $170 billion in 2015-16, and healthcare expenditures grew 3.4% for the period between 2011-2012 to 2015-2016.
- The government funded 67% of total healthcare expenditures, with the Australian Government contributing 61% of this amount and territory government contributing 39%. Private insurance funds around 9% of the total.
- Healthcare expenditures had an average annual growth rate of 2.8% between 2006-2007 and 2015-2016.
- As a percent of GDP, healthcare expenditure is 10.3% of GDP in 2015-2016. Based on 2016 data, Australia spends more on health care than the OECD average of 9.0%.
- Hospitals receive 39% of total healthcare expenditures and are the largest percentage of the total amount spent by Australia on healthcare.
- Private hospitals account for 23%, or $15 billion, of total hospital expenditures in Australia.

Switzerland

- Healthcare in Switzerland is universal, and the Swiss are required to purchase basic health insurance. Swiss law establishes a base of services that must be provided, but there are no free state-provided health services. Private health insurance is compulsory for all persons residing in Switzerland.
- An individual pays part of the insurance premium for the basic plan up to 8% of their personal income. Health insurance covers the costs of medical treatment and hospitalization.
- An individual pays part of the cost of treatment by means of an annual deductible called the franchise and by a charge of 10% of the costs over and above the deductible. For hospitalization, one pays a contribution to room and service costs.
- This compulsory insurance can be supplemented by private complementary insurance policies that allow for coverage of some of the treatment categories not covered by basic insurance, or to improve the standard of room and service in case of hospitalization.
- Healthcare costs in Switzerland are 11.4% of GDP, comparable to Germany, France, and other European countries.
- In the Swiss healthcare system, an individual selects its health insurers and its providers of service.
- The Swiss hospital market contains 129 general hospitals.

Spain

- Spain provides universal coverage to its citizens.
- Spanish healthcare expenditures were 8.9% of GDP in 2018.
- Expenditures for private healthcare are 26.4% of total health expenditures and have been growing at a compounded annual growth rate of 1.7%.
- Approximately 80% of all Spanish patients use a combination of both private and public healthcare services.
- Private hospitals comprise about 55% of total Spanish hospitals.

Italy

- The Italian constitution mandates universal healthcare coverage.
- The Italian healthcare system is a regionally based national system of healthcare organized around 19 regions and two autonomous provinces. The central government controls the distribution of tax revenue for publicly financed healthcare and defines a national statutory benefits package, the “Essential Levels of Care.”
- Total health expenditures were 8.8% of GDP in 2018.

- The public system is financed primarily through a corporate tax (35.6% of overall funding in 2012) pooled nationally and allocated back to regions and a fixed proportion of national value-added tax revenue (approximately 47.3% of the total in 2012).
- Private health insurance plays less of a role with six million people being covered by some form of voluntary insurance. Private insurance is of two types: corporate where companies cover employees and sometimes their families and non-corporate with individuals buying insurance.

Portugal

- The Portuguese healthcare system is national and universal.
- Private health insurance complements the public sector and approximately 15% of the population have private health insurance, mainly through corporate group policies.
- Several private healthcare corporations operate hospitals in Portugal.
- Health spending in Portugal accounted for about 9.7% of GDP in 2013.
- Out-of-pocket payments by patients are higher in Portugal than most other European countries.

Our Leases and Loans

The leases for our facilities are generally “net” leases with terms requiring the tenant to pay all ongoing operating and maintenance expenses of the facility, including property, casualty, general liability, and other insurance coverages, utilities, and other charges incurred in the operation of the facilities, as well as real estate and certain other taxes, ground lease rent (if any), and the costs of capital expenditures, repairs, and maintenance (including any repairs mandated by regulatory requirements). Similarly, borrowers under our mortgage loan arrangements retain the responsibilities of ownership, including physical maintenance and improvements and all costs and expenses. Our leases and loans typically require our tenants to indemnify us for any past or future environmental liabilities. Our current leases and loans have a weighted-average remaining initial lease or loan term of 14.6 years (see Item 2 for more information on remaining lease and loan terms) and most include renewal options at the election of our tenants. Based on current monthly revenue, approximately 97% of our leases and loans provide for some type of inflation-protected annual rent or interest escalations based on increases in the consumer price index (“CPI”) and/or fixed minimum annual rent or interest escalations ranging from 0.5% to 3.0%.

RIDEA Investments

We have made, and may make in the future, investments in certain of our tenants in the form of equity investments, loans (with equity like returns), or profit interests. Some of these investments fall under a structure permitted by the REIT Investment Diversification and Empowerment Act of 2007 (“RIDEA”), which was signed into law under the Housing and Economic Recovery Act of 2008. Under the provisions of RIDEA, a REIT may lease “qualified health care properties” on an arm’s length basis to a TRS if the property is operated on behalf of such subsidiary by a person who qualifies as an “eligible independent contractor.” We view RIDEA as a structure primarily to be used on properties that present attractive valuation entry points. At December 31, 2019, our RIDEA investments totaled approximately $8.3 million.

Significant Tenants

At December 31, 2019, we had total assets of approximately $14.5 billion comprised of 359 healthcare properties (including 97 real estate facilities held in five real estate joint ventures) in 34 states across the U.S., in Germany, the United Kingdom, Italy, Spain, Portugal, Switzerland, and Australia. The properties are leased to or mortgaged by 42 different hospital operating companies. On a total pro forma gross asset basis, as more fully described in the section titled "Non-GAAP Financial Measures" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K, our top five tenants were as follows (dollars in thousands):

Total Pro Forma Gross Assets by Operator

	As of December 31, 2019		As of December 31, 2018	
Operators	**Total Pro Forma Gross Assets**	**Percentage of Total Pro Forma Gross Assets**	**Total Pro Forma Gross Assets**	**Percentage of Total Pro Forma Gross Assets**
Steward	$ 4,052,162	24.5%	$ 3,823,625	38.0%
Circle	2,152,951	13.0%	100,823	1.0%
Prospect	1,563,642	9.5%	—	—
LifePoint	1,202,319	7.3%	502,072	5.0%
Prime	1,144,705	6.9%	1,124,711	11.2%
Other operators	5,509,952	33.4%	3,978,547	39.5%
Other assets	903,543	5.4%	528,669	5.3%
Total	$ 16,529,274	100.0%	$ 10,058,447	100.0%

Steward

Affiliates of Steward Health Care System LLC (collectively, "Steward") lease 41 facilities pursuant to one master lease agreement, which had an initial 15-year term (ending in October 2031) with three five-year extension options, plus annual inflation-based escalators. At December 31, 2019, these facilities had an average remaining initial lease term of 11.8 years. In addition to the master lease, we hold a mortgage loan on two facilities with terms and provisions that produce economic results in terms of day-to-day cash flows that are similar to those of our master lease agreement. The master lease agreement includes extension options that must include all or none of the master leased properties, cross default provisions for the leases, and a right of first refusal for the repurchase of the leased properties. The master loan agreement has independent extension options for each property and does not provide comparable cross default provisions. In addition to the master lease and mortgage loans, we hold a promissory note which consists of three tranches with varying terms. The three terms end in December 2023, December 2024, and October 2031. At December 31, 2019, we hold a 9.9% equity investment in Steward for $150 million.

Circle

Post our acquisition of 30 properties on January 8, 2020 (as more fully described in Note 8 of Item 8 in Part II of this Annual Report on Form 10-K), affiliates of Circle Health Ltd. (collectively, "Circle") lease 31 facilities pursuant to separate lease agreements. Of these 31 leases, 30 are cross-defaulted leases guaranteed by Circle and have initial fixed terms ending in 2050, with two five-year extension options plus annual inflation-based escalators. The remaining lease is for 15 years (ending in 2029) and a tenant option to extend the lease for an additional 15 years. The lease also includes annual inflation-based escalators. In addition to these leased properties, we are currently developing two facilities in Birmingham, England that will be leased to Circle upon completion.

Prospect

Affiliates of Prospect Medical Holdings, Inc. (collectively, "Prospect") lease 13 facilities pursuant to two master lease agreements. Both master leases have initial fixed terms of 15 years (ending in April 2034) and contain three extension options plus annual inflation-based escalators. In addition to these master leases, we hold a mortgage loan secured by a first mortgage on an acute care hospital and a term loan which we expect will be converted into the acquisition of two additional acute care hospitals upon the satisfaction of certain conditions. The master leases, mortgage loan, and term loan are all cross-defaulted and cross-collateralized.

LifePoint

Affiliates of LifePoint Health, Inc. (collectively, "LifePoint") lease 17 facilities, including 15 facilities pursuant to two master leases. One master lease (covering five properties) had an initial fixed term of 13.5 years with four five-year extension options that may be exercised with respect to any or all of the properties. The second master lease (covering 10 properties), which started in December 2019, is for 20 years and contains two five-year extension options. Both leases contain annual inflation-based escalators. At the end of the fixed term and during any exercised extension options of the master leases, the lessee will have the right of first refusal to purchase the leased property. In addition to the master leases, two facilities are leased pursuant to stand-alone leases with a weighted-average remaining fixed term of 9.1 years. The terms and provisions of these leases are generally equivalent to the terms and provisions of the master lease agreements.

Prime

Affiliates of Prime Healthcare Services, Inc. (collectively, "Prime") lease 22 facilities pursuant to five master lease agreements. Four of the master leases, covering 17 properties, have initial fixed terms of 10 years (ending between July 2022 and February 2025) and contain two renewal options of five years each. The fifth master lease (covering the remaining 5 properties) is for 15 years (ending in May 2031) and contains three renewal options for five years each. All five master leases contain annual inflation-based escalators. At the end of the initial or any renewal term, Prime must exercise any available extension or purchase option with respect to all or none of the leased properties relative to each master lease. The master leases include repurchase options, including provisions establishing minimum repurchase prices equal to our total investment. At December 31, 2019, our facilities leased to Prime had an average remaining initial fixed term of 5.0 years. In addition to the master leases, we hold mortgage loans on three facilities owned by Prime with an average remaining initial fixed term of 2.3 years. The terms and provisions of these loans are generally equivalent to the terms and provisions of the master leases.

No other tenant accounted for more than 6.3% of our total pro forma gross assets at December 31, 2019.

Environmental Matters

Under various U.S. federal, state, and local environmental laws and regulations and similar international laws, a current or previous owner, operator, or tenant of real estate may be required to remediate hazardous or toxic substance releases or threats of releases. There may also be certain obligations and liabilities on property owners with respect to asbestos containing materials. Investigation, remediation, and monitoring costs may be substantial. The confirmed presence of contamination or the failure to properly remediate contamination on a property may adversely affect our ability to sell or rent that property or to borrow funds using such property as collateral and may adversely impact our investment in that property. Generally, prior to completing any acquisition or closing any mortgage loan, we obtain Phase I environmental assessments (or similar studies outside the U.S.) in order to attempt to identify potential environmental concerns at the facilities. These assessments are carried out in accordance with an appropriate level of due diligence and generally include a physical site inspection, a review of relevant environmental and health agency database records, one or more interviews with appropriate site-related personnel, review of the property's chain of title, and review of historic aerial photographs and other information on past uses of the property. We may also conduct limited subsurface investigations and test for substances of concern where the results of the Phase I environmental assessments or other information indicates possible contamination or where our consultants recommend such procedures. Upon closing and for the remainder of the lease or loan term, our transaction documents require our tenants to repair and remediate environmental issues at the applicable facility, and to comply in full with all environmental laws and regulations.

California Seismic Standards

Existing law, the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 ("Alquist Act"), establishes, under the jurisdiction of the Office of Statewide Health Planning and Development ("OSHPD"), a program of seismic safety building standards for certain hospitals constructed on and after March 7, 1973. The law requires the California Building Standards Commission to adopt earthquake performance categories, seismic evaluation procedures, standards and timeframes for upgrading certain facilities, and seismic retrofit building standards. This legislation was adopted to avoid the loss of life and the disruption of operations and the provision of emergency medical services that may result from structural damage sustained to hospitals resulting from an earthquake. A violation of any provision of the act is a misdemeanor.

Under the Alquist Act and related rules and regulations, all general acute care hospital buildings in California are assigned a structural performance category ("SPC"). SPC ratings range from 1 to 5 with SPC-1 assigned to buildings that may be at risk of collapse during a strong earthquake and SPC 5 assigned to buildings reasonably capable of providing services to the public following a strong earthquake. Pursuant to the Alquist Act, state law required all SPC-1 buildings to be removed from providing general acute care services by 2020 and all SPC-2 buildings to be removed from providing general acute care services by 2030, in each case unless the facility is seismically retrofitted so that it is in substantial compliance with the seismic safety regulations and standards developed by OSHPD.

However, in 2017, OSHPD adopted a new performance category that allowed hospitals to explore the possibilities of upgrading nonconforming buildings to a new performance level that is not as rigorous. Under SPC-4D, buildings undergoing a retrofit to this level can continue functioning indefinitely beyond 2030. In addition, California AB 2190 bill (effective January 1, 2019) required OSHPD to grant an additional extension of time to an owner who is subject to the January 1, 2020, deadline if specified conditions were met. The bill authorized the additional extension to be until July 1, 2022, if the compliance plan was based upon replacement or retrofit or up to 5 years if the compliance plan was for a rebuild.

Owners of general acute care hospital buildings that are classified as nonconforming must submit reports to OSHPD describing the status of each building in complying with the extension provisions, and to annually update OSHPD with any changes or adjustments.

As of December 31, 2019, we have 21 licensed hospitals in California totaling investments of approximately $1.3 billion, which excludes investments of $15.8 million of medical office buildings not subject to OSHPD standards.

Exclusive of three hospitals granted an OSHPD extension to 2022 (representing less than 2.3% of our total assets), under California AB 2190, all of our California hospitals are seismically compliant through 2030 as determined by OSHPD. We expect full compliance by 2022 for the remaining three hospitals.

It is noted that under our current agreements, our tenants are responsible for capital expenditures in connection with seismic laws. We do not expect California seismic standards to have a negative impact on our financial condition or cash flows. We also do not expect compliance with California seismic standards to materially impact the financial condition of our tenants.

Competition

We compete in acquiring and developing facilities with financial institutions, other lenders, real estate developers, healthcare operators, other REITs, other public and private real estate companies, and private real estate investors. Among the factors that may adversely affect our ability to compete are the following:

- we may have less knowledge than our competitors of certain markets in which we seek to invest in or develop facilities;
- some of our competitors may have greater financial and operational resources than we have;
- some of our competitors may have lower costs of capital than we do;
- our competitors or other entities may pursue a strategy similar to ours; and
- some of our competitors may have existing relationships with our potential tenants/operators.

To the extent that we experience vacancies in our facilities, we will also face competition in leasing those facilities to prospective tenants. The actual competition for tenants varies depending on the characteristics of each local market. Virtually all of our facilities operate in highly competitive environments, and patients and referral sources, including physicians, may change their preferences for healthcare facilities from time to time. The operators of our properties compete on a local and regional basis with operators of properties that provide comparable services. Operators compete for patients based on a number of factors including quality of care, reputation, physical appearance of a facility, location, services offered, physicians, staff, and price. We also face competition from other healthcare facilities for tenants, such as physicians and other healthcare providers that provide comparable facilities and services.

For additional information, see “Risk Factors” in Item 1A of this Annual Report on Form 10-K.

Insurance

Our leases and mortgage loans require our tenants to carry property, loss of income, general liability, professional liability, and other insurance coverages in order to protect our interests. We monitor the adequacy of such coverages on an ongoing basis. In addition, we maintain separate insurance that provides coverage for bodily injury and property damage to third parties arising from our ownership of the healthcare facilities that are leased to and occupied by our tenants, as well as contingent business interruption insurance. At December 31, 2019, we believe that the policy specifications and insured limits are appropriate given the relative risk of loss, the cost of the coverage, and standard industry practice.

Healthcare Regulatory Matters

The following discussion describes certain material federal healthcare laws and regulations that may affect our operations and those of our tenants. The discussion, however, does not address all applicable federal healthcare laws, and does not address state healthcare laws and regulations, except as otherwise indicated. These state laws and regulations, like the federal healthcare laws and regulations, could affect the operations of our tenants and, accordingly, our operations. In addition, in some instances we own a minority interest in our tenants' operations and, in addition to the effect on our tenant's ability to meet its financial obligations to us, our ownership and investment returns may also be negatively impacted by such laws and regulations. Moreover, the discussion relating to reimbursement for healthcare services addresses matters that are subject to frequent review and revision by Congress and the agencies responsible for administering federal payment programs. Consequently, predicting future reimbursement trends or changes, along with the potential impact to us, is inherently difficult and imprecise. Finally, though we have not included a discussion of applicable foreign laws or regulations, our tenants in Europe and Australia may be subject to similar laws and regulations governing the ownership or operation of healthcare facilities including, without limitation, laws governing patient care and safety, reimbursement, licensure, and data protection.

Ownership and operation of hospitals and other healthcare facilities are subject, directly and indirectly, to substantial U.S. federal, state, and local government healthcare laws, rules, and regulations. Our tenants' failure to comply with these laws and regulations could adversely affect their ability to meet their obligations to us. Physician investment in our facilities or in joint ventures to own real estate also will be subject to such laws and regulations. Although we are not a healthcare provider or in a position to influence the referral of patients or ordering of items and services reimbursable by the federal government, to the extent that a healthcare provider engages in transactions with our tenants, such as sublease or other financial arrangements, the Anti-Kickback Statute and the Stark Law (both discussed in this section), and any state counterparts thereto, could be implicated. Our leases and mortgage loans require our tenants to comply with all applicable laws, including healthcare laws. We intend for all of our business activities and operations to conform in all material respects with all applicable laws, rules, and regulations, including healthcare laws, rules, and regulations.

Our tenants in Australia, the United Kingdom, and other parts of Europe are in many cases subject to similar laws and regulations governing the ownership and operation of healthcare facilities including, without limitation, laws governing patient care and safety, reimbursement, licensure, and data protection. As in the U.S. under HIPAA, our tenants in foreign jurisdictions are typically subject to strict laws and regulations governing data protection, generally, and the protection of a patient's personal health information, specifically. Tenants may also be subject to laws and regulations addressing billing and reimbursement for healthcare items and services. Furthermore, in certain cases, as with certificate of need laws in the U.S., government approval may also be required prior to the transfer of a healthcare facility or prior to the establishment of new or replacement facilities, the addition of beds, the addition or expansion of services, and certain capital expenditures. Our leases and loan documents require our tenants in foreign jurisdictions to comply with all applicable laws, including healthcare laws, and we intend for all our business activities and operations in such jurisdictions to conform in all material respects with all applicable healthcare laws, rules, and regulations.

Applicable Laws (not intended to be a complete list)

Anti-Kickback Statute. The federal Anti-Kickback Statute (codified at 42 U.S.C. § 1320a-7b(b)) prohibits, among other things, the offer, payment, solicitation, or acceptance of remuneration, directly or indirectly, in return for referring an individual to a provider of items or services for which payment may be made in whole, or in part, under a federal healthcare program, including the Medicare or Medicaid programs. Violation of the Anti-Kickback Statute is a crime, punishable by fines of up to $100,000 per violation, ten years imprisonment, or both. Violations may also result in civil sanctions, including civil monetary penalties of up to $50,000 per violation, exclusion from participation in federal healthcare programs, including Medicare and Medicaid, and additional monetary penalties in amounts treble to the underlying remuneration. The Anti-Kickback Statute is an intent based statute, and has been broadly interpreted. As an example, courts have held that there is a violation of the Anti-Kickback Statute if just one purpose of an arrangement is to generate referrals despite the fact that there may be one or more other lawful purposes to the arrangement at issue.

The Office of Inspector General of the Department of Health and Human Services has issued "Safe Harbor Regulations" that describe practices that will not be considered violations of the Anti-Kickback Statute. Nonetheless, the fact that a particular arrangement does not meet safe harbor requirements does not also mean that the arrangement violates the Anti-Kickback Statute. Rather, the safe harbor regulations simply provide a guaranty that qualifying arrangements will not be prosecuted under the Anti-Kickback Statute. We intend to use commercially reasonable efforts to structure our arrangements involving facilities, so as to satisfy, or meet as closely as possible, all safe harbor conditions. We cannot assure you, however, that we will meet all the conditions for an applicable safe harbor.

Physician Self-Referral Statute ("Stark Law"). Any physicians investing in us or our subsidiary entities could also be subject to the Ethics in Patient Referrals Act of 1989, or the Stark Law (codified at 42 U.S.C. § 1395nn). Unless subject to an exception, the Stark Law prohibits a physician from making a referral to an "entity" furnishing "designated health services" (which would include, without limitation, certain inpatient and outpatient hospital services, clinical laboratory services, and radiology services) paid by Medicare or Medicaid if the physician or a member of his immediate family has a "financial relationship" with that entity. A reciprocal prohibition bars the entity from billing Medicare or Medicaid for any services furnished pursuant to a prohibited referral. Sanctions for violating the Stark Law include denial of payment, refunding amounts received for services provided pursuant to prohibited referrals, civil monetary penalties of up to $15,000 per prohibited service provided, and exclusion from the participation in federal healthcare programs. The statute also provides for a penalty of up to $100,000 for a circumvention scheme.

There are exceptions to the self-referral prohibition for many of the customary financial arrangements between physicians and providers, including, without limitation, employment contracts, rental of office space or equipment, personal services agreements and recruitment agreements. Unlike safe harbors under the Anti-Kickback Statute, the Stark Law imposes strict liability on the parties to an arrangement, and an arrangement must comply with every requirement of a Stark Law exception or the arrangement is in violation of the Stark Law.

CMS has issued multiple phases of final regulations implementing the Stark Law and continues to make changes to these regulations. The CMS proposed lowering barriers to care coordination and management to make it easier for providers to enter into value-based arrangements without running afoul of kickback concerns. While these regulations help clarify the exceptions to the Stark Law, it is unclear how the government will interpret many of these exceptions for enforcement purposes. Although our lease and loan agreements require lessees and borrowers to comply with the Stark Law and we intend for facilities to comply with the Stark Law, we cannot offer assurance that the arrangements entered into by us and our facilities will be found to be in compliance with the Stark Law, as it ultimately may be implemented or interpreted. In addition, changes to the Stark Law could require our tenants to restructure certain arrangements with physicians, which could impact the business of our tenants.

False Claims Act. The federal False Claims Act prohibits the making or presenting of any false claim for payment to the federal government. It is the civil equivalent to federal criminal provisions prohibiting the submission of false claims to federally funded programs. Additionally, *qui tam*, or whistleblower, provisions of the federal False Claims Act allow private individuals to bring actions on behalf of the federal government alleging that the defendant has defrauded the federal government. Whistleblowers may collect a portion of the federal government's recovery — an incentive for private parties to bring such actions. A successful federal False Claims Act case may result in a penalty of three times the actual damages, plus additional civil penalties payable to the government, plus reimbursement of the fees of counsel for the whistleblower. Many states have enacted similar statutes preventing the presentation of a false claim to a state government.

The Civil Monetary Penalties Law. The Civil Monetary Penalties Law ("CMPL") is a comprehensive statute that covers an array of fraudulent and abusive activities and is very similar to the False Claims Act. Among other things, the CMPL law prohibits the knowing presentation of a claim for certain healthcare services that is false or fraudulent, the presentation of false or misleading information in connection with claims for payment, and other acts involving fraudulent conduct. Violation of the CMPL may result in penalties ranging from $20,000 to in excess of $100,000 (penalties are periodically adjusted). Notably, such penalties apply to each instance of prohibited conduct, including, for example, each item or service not provided as claimed, and each provision of false information or each false record. In addition, violators of the CMPL may be penalized up to three times the amount unlawfully claimed and may be excluded from participation in federal healthcare programs.

Licensure. Our tenants and borrowers under mortgage loans are subject to extensive U.S. federal, state, and local licensure, certification, and inspection laws and regulations including, in some cases, certificate of need laws. Further, various licenses and permits are required to dispense narcotics, operate pharmacies, handle radioactive materials, and operate equipment. Failure to comply with any of these laws could result in loss of licensure, certification, or accreditation, denial of reimbursement, imposition of fines, and suspension or decertification from federal and state healthcare programs.

EMTALA. Our tenants and borrowers under mortgage loans that provide emergency care are subject to the Emergency Medical Treatment and Active Labor Act ("EMTALA"). Regardless of an individual's ability to pay, this federal law requires such healthcare facilities to conduct an appropriate medical screening examination of every individual who presents to the hospital's emergency room for treatment and, if the individual is suffering from an emergency medical condition, to either stabilize the condition or make an appropriate transfer of the individual to a facility able to handle the condition. Liability for violations of EMTALA are severe and include, among other things, civil monetary penalties and exclusion from participation in the federal healthcare programs. Our lease and mortgage loan agreements require our tenants to comply with EMTALA, and we believe our tenants conduct business in substantial compliance with EMTALA.

Reimbursement Pressures. Healthcare facility operating margins continue to face significant pressure due to the deterioration in pricing flexibility and payor mix, a shift toward alternative payment models, increases in operating expenses that exceed increases in payments under the Medicare program, reductions in levels of Medicaid funding due to state budget shortfalls, and other similar cost pressures on our tenants. More specifically, certain facilities and departments such as IRFs, LTACHs, and Hospital Outpatient Departments ("HOPDs") face reimbursement pressures because of legislative and regulatory restrictions and limitations on reimbursement. We cannot predict how and to what extent these or other initiatives will impact the business of our tenants or whether our business will be adversely impacted.

Healthcare Reform. Generally, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Reform Law") provides for expanded health insurance coverage through tax subsidies and federal health insurance programs, individual and employer mandates for health insurance coverage, and health insurance exchanges. The Reform Law also includes various cost containment initiatives, including quality control and payment system refinements for federal programs, such as pay-for-performance criteria and value-based purchasing programs, bundled provider payments, accountable care organizations, geographic payment variations, comparative effectiveness research, and lower payments for hospital readmissions. The Reform Law also increases health information technology ("HIT") standards for healthcare providers in an effort to improve quality and reduce costs. The Reform Law has led to significant changes in the healthcare system. We believe the Reform Law will continue to lead to changes in healthcare delivery and reimbursement for years to come, and it is likely that certain trends that have been in place since the passage of the Reform Law, such as development and implementation of cost containment initiatives, increased use of HIT, and pressure on reimbursement, will continue irrespective of any future repeal efforts. We cannot predict the continued impact of the Reform Law or the impact of future repeal efforts on our business, as some aspects benefit the operations of our tenants, while other aspects present challenges.

Employees

We have 86 employees as of February 21, 2020. As we continue to grow, we expect our head count to increase as well. However, we do not believe that any adjustments to the number of employees will have a material effect on our operations or to general and administrative expenses as a percent of revenues. We believe that our relations with our employees are good. None of our employees are members of any union.

Available Information

Our website address is www.medicalpropertiestrust.com and provides access in the "Investor Relations" section, free of charge, to our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, and all amendments to these reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). Also available on our website, free of charge, are our Corporate Governance Guidelines, the charters of our Ethics, Nominating, and Corporate Governance, Audit and Compensation Committees and our Code of Ethics and Business Conduct. If you are not able to access our website, the information is available in print free of charge to any stockholder who should request the information directly from us at (205) 969-3755. Information on or connected to our website is neither part of nor incorporated by reference into this Annual Report or any other SEC filings.

ITEM 1A. ***Risk Factors***

The risks and uncertainties described herein are not the only ones facing us and there may be additional risks that we do not presently know of or that we currently consider not likely to have a significant impact on us. All of these risks could adversely affect our business, results of operations, financial condition, and our ability to service our debt and make distributions to our stockholders. Some statements in this report including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled "Cautionary Language Regarding Forward Looking Statements" at the beginning of this Annual Report.

RISKS RELATED TO OUR BUSINESS AND GROWTH STRATEGY

Dependence on our tenants for payments of rent and interest may adversely impact our ability to service our debt and make distributions to our stockholders.

We expect to continue to qualify as a REIT and, accordingly, as a REIT operating in the healthcare industry, we are severely limited by current tax law with respect to our ability to operate or manage the businesses conducted in our facilities.

Accordingly, we rely heavily on rent payments from our tenants under leases or interest payments from operators under mortgage or other loans for cash with which to make distributions to our stockholders. We have no control over the success or failure of these tenants' businesses. Significant adverse changes in the operations of our facilities, or the financial condition of our tenants, operators or guarantors, could have a material adverse effect on our ability to collect rent and interest payments and, accordingly, on our ability to make distributions to our stockholders and/or service our debt. Facility management by our tenants and their compliance with healthcare and other laws could have a material impact on our tenants' operating and financial condition and, in turn, their ability to pay rent and interest to us.

Our revenues are dependent upon our relationships with and success of our largest tenants, Steward, Circle, Prospect, LifePoint, and Prime.

As of December 31, 2019, affiliates of Steward, Circle, Prospect, LifePoint, and Prime represented 24.5%, 13.0%, 9.5%, 7.3%, and 6.9%, respectively, of our total pro forma gross assets (which consist primarily of real estate leases and loans).

Our relationships with these operators and their financial performance and resulting ability to satisfy their lease and loan obligations to us are material to our financial results and our ability to service our debt and make distributions to our stockholders. We are dependent upon the ability of these operators to make rent and loan payments to us, and any failure to meet these obligations could have a material adverse effect on our financial condition and results of operations.

Our tenants operate in the healthcare industry, which is highly regulated by U.S. federal, state, and local laws along with laws in Europe and Australia and changes in regulations may temporarily impact our tenants' operations until they are able to make the appropriate adjustments to their business. For example, past modifications to regulations concerning patient criteria and reimbursement for LTACHs have impacted volumes and profitability in certain facilities in our portfolio.

We are aware of various federal and state inquiries, investigations, and other proceedings currently affecting several of our tenants and would expect such government compliance and enforcement activities to be ongoing at any given time with respect to one or more of our tenants, either on a confidential or public basis. Other large acute hospital operators have also recently defended similar allegations, sometimes resulting in financial settlements and agreements with regulators to modify admission policies, resulting in lower reimbursements for those patients.

In addition, our tenants experience operational challenges from time-to-time, and this can be even more of a risk for those tenants that grow (or have grown) via acquisitions in a short time frame, like Steward, Prime, Circle, and others. The ability of our tenants and operators to integrate newly acquired businesses into their existing operational, financial reporting, and collection systems is critical towards ensuring their continued success. If such integration is not successfully implemented in a timely manner, operators can be negatively impacted in the form of write-offs of uncollectible accounts receivable or even insolvency in certain extreme cases.

Any adverse result to Steward, Circle, Prospect, LifePoint, or Prime in regulatory proceedings or financial or operational setbacks may have a material adverse effect on the relevant tenant's operations and financial condition and on its ability to make required lease and loan payments to us. If any one of these tenants were to file for bankruptcy protection, we may not be able to collect any pre-filing amounts owed to us by such tenant. In addition, in a bankruptcy proceeding, such tenant may terminate our lease(s), in which case we would have a general unsecured claim that would likely be for less than the full amount owed to us. Any secured claims we have against such tenant may only be paid to the extent of the value of the collateral, which may not cover all or any of our losses. If we are ultimately required to find one or more tenant-operators to lease one or more properties currently leased by such tenant, we may face delays and increased costs in locating a suitable replacement tenant. The protections that we have in place to protect against such failure or delay, which can include letters of credit, cross default provisions, parent guarantees, repair reserves, and the right to exercise remedies including the termination of the lease and replacement of the operator, may prove to be insufficient, in whole or in part, or may entail further delays. In instances where we have an equity investment in our tenant's operations, in addition to the effect on these tenants' ability to meet their financial obligation to us, our ownership and investment interests may also be negatively impacted.

We have experienced and expect to continue to experience rapid growth, and our failure to effectively manage our growth may adversely impact our financial condition, results of operations, and cash flows, which could negatively affect our ability to service our debt and make distributions to our stockholders.

We have experienced and expect to continue to experience rapid growth through prior acquisitions and the potential acquisition of healthcare properties we are currently evaluating. Year-over-year, our total assets grew by more than 60% since December 31, 2018, and we have expanded our presence to eight countries. In addition, we continually evaluate property acquisition and development opportunities as they arise, and we typically have a number of potential acquisition and development transactions under active consideration.

There is no assurance that we will be able to adapt our management, administrative, accounting, and operational systems, or hire and retain sufficient operational staff, to manage the facilities we have acquired and those that we may acquire or develop in the future. Additionally, investing in real estate located in foreign countries creates risks associated with the uncertainty of foreign laws, economies, and markets, and exposes us to local economic downturns and adverse market developments.

Our failure to manage such growth effectively may adversely impact our financial condition, results of operations, and cash flows, which could negatively affect our ability to service our debt and make distributions to our stockholders. Our rapid growth could also increase our capital requirements, which may require us to issue potentially dilutive equity securities and/or incur additional debt.

It may be costly to replace defaulting tenants and we may not be able to replace defaulting tenants with suitable replacements on suitable terms.

Failure on the part of a tenant to comply materially with the terms of a lease could give us the right to terminate our lease with that tenant, repossess the applicable facility, cross default certain other leases and loans with that tenant, and enforce the payment obligations under the lease. The process of terminating a lease with a defaulting tenant and repossessing the applicable facility may be costly and require a disproportionate amount of management's attention. In addition, defaulting tenants or their affiliates may initiate litigation in connection with a lease termination or repossession against us or our subsidiaries. If a tenant-operator defaults and we choose to terminate our lease, we are then required to find another tenant-operator, such as the case was with 16 transition Adeptus Health, Inc. ("Adeptus") facilities in 2017. The transfer of most types of healthcare facilities is highly regulated, which may result in delays and increased costs in locating a suitable replacement tenant. The sale or lease of these properties to entities other than healthcare operators may be difficult due to the added cost and time of refitting the properties. If we are unable to re-let the properties to healthcare operators, we may be forced to sell the properties at a loss due to the repositioning expenses likely to be incurred by non-healthcare purchasers. Alternatively, we may be required to spend substantial amounts to adapt the facility to other uses. There can be no assurance that we would be able to find another tenant in a timely fashion, or at all, or that, if another tenant were found, we would be able to enter into a new lease on favorable terms. Defaults by our tenants under our leases may adversely affect our results of operations, financial condition, and our ability to make distributions to our stockholders. Defaults by our significant tenants under master leases (like Steward, Circle, Prospect, LifePoint, and Prime) will have an even greater effect.

It may be costly to find new tenants when lease terms end and we may not be able to replace such tenants with suitable replacements on suitable terms.

Failure on the part of a tenant to renew or extend the lease at the end of its fixed term on one of our facilities could result in us having to search for, negotiate with, and execute new lease agreements, such is the case with our Hillsboro property for which its lease term will end in 2020 (representing less than 0.2% of our total assets). The process of finding and negotiating with a new tenant along with costs (such as maintenance, property taxes, utilities, ground lease expenses, etc.) that we will incur while the facility is untenanted may be costly and require a disproportionate amount of our management’s attention. There can be no assurance that we would be able to find another tenant in a timely fashion, or at all, or that, if another tenant were found, we would be able to enter into a new lease on favorable terms. If we are unable to re-let the properties to healthcare operators, we may be forced to sell the properties at a loss due to the repositioning expenses likely to be incurred by non-healthcare purchasers. Alternatively, we may be required to spend substantial amounts to adapt the facility to other uses. Thus, the non-renewal or extension of leases may adversely affect our results of operations, financial condition, and our ability to make distributions to our stockholders. This risk is even greater for those properties under master leases (like Steward, Circle, Prospect, LifePoint, and Prime) because several properties have the same lease ending dates.

We have made investments in the operators of certain of our healthcare facilities and the cash flows (and related returns) from these investments are subject to more volatility than our properties with the traditional net leasing structure.

At December 31, 2019, we have 10 investments in the operations of certain of our healthcare facilities by utilizing RIDEA or similar investments. These investments include profits interest and equity investments that generate returns dependent upon the operator’s performance. As a result, the cash flow and returns from these investments may be more volatile than that of our traditional triple-net leasing structure. Our business, results of operations, and financial condition may be adversely affected if the related operators fail to successfully operate the facilities efficiently and in a manner that is in our best interest.

We have less experience with healthcare facilities in Germany, the United Kingdom, Italy, Spain, Portugal, Switzerland, and Australia or anywhere else outside the U.S.

We have less experience investing in healthcare properties or other real estate-related assets located outside the U.S. Investing in real estate located in foreign countries, including Germany, the United Kingdom, Italy, Spain, Portugal, Switzerland, and Australia creates risks associated with the uncertainty of foreign laws and markets including, without limitation, laws respecting foreign ownership, the enforceability of loan and lease documents, and foreclosure laws. German real estate and tax laws are complex and subject to change, and we cannot assure you we will always be in compliance with those laws or that compliance will not expose us to additional expense. Additionally (as more fully described in Note 3 to Item 8 of this Form 10-K), we expanded our operations into Australia, a geography we have never operated in, with the acquisition of a portfolio of 11 hospitals, which may subject us to new and unforeseen risks. The properties we acquired in Europe (as more fully described in Note 3 to Item 8 of this Form 10-K) will face risks in connection with unexpected changes in regulatory requirements, political and economic instability, potential imposition of adverse or confiscatory taxes, possible challenges to the anticipated tax treatment of the structures that allow us to acquire and hold investments, possible currency transfer restrictions, the difficulty in enforcing obligations in other countries, the impact from Brexit, and the burden of complying with a wide variety of foreign laws. In addition, to qualify as a REIT, we generally will be required to operate any non-U.S. investments in accordance with the rules applicable to U.S. REITs, which may be inconsistent with local practices. We may also be subject to fluctuations in local real estate values or markets or the European economy as a whole, which may adversely affect our European investments.

In addition, the rents payable under our leases of foreign assets are payable in either euros, British pounds, Swiss francs, or Australian dollars, which could expose us to losses resulting from fluctuations in exchange rates to the extent we have not hedged our position, which in turn could adversely affect our revenues, operating margins, and dividends, and may also affect the book value of our assets and the amount of stockholders’ equity. Further, any international currency gain recognized with respect to changes in exchange rates may not qualify under the 75% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT. While we may hedge some of our foreign currency risk, we may not be able to do so successfully and may incur losses on our investments as a result of exchange rate fluctuations. Furthermore, we are subject to laws and regulations, such as the Foreign Corrupt Practices Act and similar local anti-bribery laws, which generally prohibit companies and their employees, agents, and contractors from making improper payments to governmental officials for the purpose of obtaining or retaining business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially adversely affect our results of operations, the value of our international investments, and our ability to make distributions to our stockholders.

We have now, and may have in the future, exposure to contingent rent escalators, which could hinder our growth and profitability.

We receive a significant portion of our revenues by leasing assets under long-term net leases that generally provide for fixed rental rates subject to annual escalations. These annual escalations may be contingent on changes in CPI, typically with specified caps and floors. If, as a result of weak economic conditions or other factors, the CPI does not increase, our growth and profitability may be hindered by these leases. In addition, if strong economic conditions result in significant increases in CPI, but the escalations under our leases are capped, our growth and profitability may be limited.

The bankruptcy or insolvency of our tenants or investees could harm our operating results and financial condition.

Some of our prospective tenants/investees may be newly organized, have limited or no operating history and may be dependent on loans from us to acquire the facility's operations and for initial working capital. Any bankruptcy filings by or relating to one of our tenants/investees could bar us from collecting pre-bankruptcy debts from that tenant or their property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant bankruptcy can be expected to delay our efforts to collect past due balances under our leases and loans, and could ultimately preclude collection of these sums. If a lease is assumed by a tenant in bankruptcy, we expect that all pre-bankruptcy balances due under the lease would be paid to us in full. However, if a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any secured claims we have against our tenants may only be paid to the extent of the value of the collateral, which may not cover any or all of our losses. Any unsecured claim (such as our equity interests in our tenants) we hold against a bankrupt entity may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. We may recover none or substantially less than the full value of any unsecured claims, which would harm our financial condition.

Our business is highly competitive and we may be unable to compete successfully.

We compete for development opportunities and opportunities to purchase healthcare facilities with, among others:

- private investors, including large private equity funds;
- healthcare providers, including physicians;
- other REITs;
- real estate developers;
- government-sponsored and/or not-for-profit agencies;
- financial institutions; and
- other lenders.

Some of these competitors may have substantially greater financial and other resources than we have and may have better relationships with lenders and sellers. Competition for healthcare facilities from competitors may adversely affect our ability to acquire or develop healthcare facilities and the prices we pay for those facilities. If we are unable to acquire or develop facilities or if we pay too much for facilities, our revenue, earnings growth, and financial return could be materially adversely affected. Certain of our facilities, or facilities we may acquire or develop in the future will face competition from other nearby facilities that provide services comparable to those offered at our facilities. Some of those facilities are owned by governmental agencies and supported by tax revenues, and others are owned by tax-exempt corporations and may be supported to a large extent by endowments and charitable contributions. Those types of support are not generally available to our facilities. In addition, competing healthcare facilities located in the areas served by our facilities may provide healthcare services that are not available at our facilities and additional facilities we may acquire or develop. From time to time, referral sources, including physicians and managed care organizations, may change the healthcare facilities to which they refer patients, which could adversely affect our tenants and thus our rental revenues, interest income, and/or our earnings from equity investments.

Many of our current tenants have, and prospective tenants may have, an option to purchase the facilities we lease to them which could disrupt our operations.

Many of our current tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. There is no assurance that the formulas we have developed for setting the purchase price will yield a fair market value purchase price.

In the event our tenants and prospective tenants determine to purchase the facilities they lease either during the lease term or after their expiration, the timing of those purchases may be outside of our control, and we may not be able to re-invest the capital on as favorable terms, or at all. Our inability to effectively manage the turnover of our facilities could materially adversely affect our ability to execute our business plan and our results of operations.

We have 205 leased properties that are subject to purchase options as of December 31, 2019. For 115 of these properties, the purchase option generally allows the lessee to purchase the real estate at the end of the lease term, as long as no default has occurred, at a price equivalent to the greater of (i) fair market value or (ii) our original purchase price (increased, in some cases, by a certain annual rate of return from the lease commencement date). The lease agreements provide for an appraisal process to determine fair market value. For 17 of these properties, the purchase option generally allows the lessee to purchase the real estate at the end of the lease term, as long as no default has occurred, at our purchase price (increased, in some cases, by a certain annual rate of return from lease commencement date). For the remaining 73 leases, the purchase options approximate fair value.

In certain circumstances, a prospective purchaser of our hospital real estate may be deemed to be subject to Anti-Kickback and Stark statutes, which are described in the “Healthcare Regulatory Matters” section in Item 1 of this Annual Report on Form 10-K. In such event, it may not be practicable for us to sell property to such prospective purchasers at prices other than fair market value.

We may not be able to adapt our management and operational systems to manage the net-leased facilities we have acquired or are developing or those that we may acquire or develop in the future without unanticipated disruption or expense.

There is no assurance that we will be able to adapt our management, administrative, accounting, and operational systems, or hire and retain sufficient operational staff, to manage the facilities we have acquired and those that we may acquire or develop, including those properties located in Europe and Australia or any future investments outside the U.S. Our failure to successfully manage our current portfolio of facilities or any future acquisitions or developments could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

Merger and acquisition activity or consolidation in the healthcare industry may result in a change of control of, or a competitor’s investment in, one or more of our tenants or operators, which could have a material adverse effect on us.

The healthcare industry continues to experience consolidation, including among owners of real estate and healthcare providers. We compete with other healthcare REITs, healthcare providers, healthcare lenders, real estate partnerships, banks, insurance companies, private equity firms, and other investors that pursue a variety of investments, which may include investments in our tenants or operators. We have historically developed strong, long-term relationships with many of our tenants and operators. A competitor’s investment in one of our tenants or operators, any change of control of a tenant or operator, or a change in the tenant’s or operator’s management team could enable our competitor to influence or control that tenant’s or operator’s business and strategy. This influence could have a material adverse effect on us by impairing our relationship with the tenant or operator, negatively affecting our interest, or impacting the tenant’s or operator’s financial and operational performance, including their ability to pay us rent or interest. Depending on our contractual agreements and the specific facts and circumstances, we may have consent rights, termination rights, remedies upon default, or other rights and remedies related to a competitor’s investment in, a change of control of, or other transactions impacting a tenant or operator. In deciding whether to exercise our rights and remedies, including termination rights or remedies upon default, we assess numerous factors, including legal, contractual, regulatory, business, and other relevant considerations.

Our investments in joint ventures could be adversely affected by our lack of control, our partners’ failure to meet their obligations, and disputes with our partners.

We have entered into five real estate joint ventures with independent parties for which we have a 50% or less interest. Joint venture arrangements involve risks including the possibility that the other party may refuse or not be able to make capital contributions when due, that our partner might have economic or other business interests that are inconsistent with the joint venture’s interests, or that we may become engaged in a dispute with our partner. If any of these events occur, we might need to provide additional funding to the joint ventures to meet its obligations, incur additional expenses to resolve disputes, or be forced to buy out the partner’s interest or to sell our interests at a time that is not advantageous to us. Any loss of income, cash flow, or disruption of management’s time could have a negative impact on the rest of our business.

We depend on key personnel, the loss of any one of whom may threaten our ability to operate our business successfully.

We depend on the services of our executive officers to carry out our business and investment strategy. If we were to lose any of these executive officers, it may be more difficult for us to locate attractive acquisition targets, complete our acquisitions, and manage the facilities that we have acquired or developed. Additionally, as we expand, we will continue to need to attract and retain additional qualified officers and employees. The loss of the services of any of our executive officers, or our inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business and financial results.

Changes in currency exchange rates may subject us to risk.

As our operations have expanded internationally where the U.S. dollar is not the denominated currency, currency exchange rate fluctuations could affect our results of operations and financial position. A significant change in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our financial position, debt covenant ratios, results of operations, and cash flows.

Although we may enter into foreign exchange agreements with financial institutions and/or obtain local currency mortgage debt in order to reduce our exposure to fluctuations in the value of foreign currencies, we cannot assure you that foreign currency fluctuations will not have a material adverse effect on us.

The United Kingdom's exit from the European Union could adversely affect us.

After January 31, 2020, the United Kingdom was officially no longer part of the European Union. Negotiations continue to determine the future terms of the United Kingdom's relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union. The effects of the United Kingdom's exit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. This change could adversely affect European and global economic or market conditions and could contribute to instability in global financial markets. In addition, it could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects, and others we cannot anticipate, may adversely affect us.

We currently hold, and may acquire additional, interests in healthcare facilities located in the United Kingdom and Europe, as well as other investments that are denominated in British pounds and euros. In addition, our Operating Partnership has issued, and may issue in the future, senior unsecured notes denominated in euros and in British pounds. Any of the effects of the United Kingdom's exit described above, and others we cannot anticipate, could have a material adverse effect on our business, the value of our real estate and other investments, and our potential growth in Europe, and could amplify the currency risks faced by us.

Adverse U.S. and global market, economic and political conditions, health crises and other events beyond our control could have a material adverse effect on our business, results of operations and financial condition.

Another economic or financial crisis, significant concerns over energy costs, geopolitical issues, the availability and cost of credit or a declining real estate market in the U.S. or abroad can contribute to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. As was the case from 2008 through 2010, these factors, combined with volatile oil prices and fluctuating business and consumer confidence, can precipitate a steep economic decline.

Adverse U.S. and global market, economic and political conditions, including dislocations and volatility in the credit markets and general global economic uncertainty, could have a material adverse effect on our business, results of operations and financial condition as a result of the following potential consequences, among others:

- reduced values of our properties may limit our ability to dispose of assets at attractive prices, or at all, or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and

- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and redevelopment opportunities and refinance existing debt, reduce our returns from our acquisition and redevelopment activities and increase our future interest expense.

Public health crises, pandemics and epidemics, such as those caused by new strains of viruses such as H5N1 (avian flu), severe acute respiratory syndrome (SARS) and, most recently, the novel coronavirus (COVID-19), could adversely impact our and our tenants' business by disrupting supply chains and transactional activities, and negatively impacting local, national or global economies.

RISKS RELATED TO FINANCING OUR BUSINESS

Limited access to capital may restrict our growth.

Our business plan contemplates growth through acquisitions and development of facilities. As a REIT, we are required to make cash distributions, which reduce our ability to fund acquisitions and developments with retained earnings. Thus, we are somewhat dependent on acquisition financing and access to the capital markets for cash to make new opportunistic investments. Due to market or other conditions, we may have limited access to capital from the equity and debt markets. We may not be able to obtain additional equity or debt capital or dispose of assets on favorable terms, if at all, at the time we need additional capital to acquire healthcare properties, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

Our indebtedness could adversely affect our financial condition and may otherwise adversely impact our business operations and our ability to make distributions to stockholders.

As of February 21, 2020, we had approximately $7.9 billion of debt outstanding.

Our indebtedness could have significant effects on our business. For example, it could:

- require us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce the available cash flow to fund working capital, development projects, and other general corporate purposes and reduce cash for distributions;
- require payments of principal and interest that may be greater than our cash flow from operations;
- force us to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt;
- increase our vulnerability to general adverse economic and industry conditions; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from making strategic acquisitions or exploiting other business opportunities;
- make it more difficult for us to satisfy our obligations; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Our future borrowings under our loan facilities may bear interest at variable rates in addition to the $1.1 billion in variable interest rate debt that we had outstanding as of February 21, 2020 (excluding the variable rate debt that we have fixed through interest rate swaps). If interest rates increase significantly, our operating results would decline along with the cash available for distributions to our stockholders.

In July 2017, the Financial Conduct Authority that regulates the London Interbank Offered Rate (“LIBOR”) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021, thereby discontinuing LIBOR after the end of 2021. While we expect LIBOR to be available in substantially its current form until then, it is possible that LIBOR will become unavailable prior to that point. As of February 21, 2020, approximately $1.1 billion of our outstanding debt is indexed to LIBOR and we are monitoring and evaluating any risks related to potential discontinuation of LIBOR, including transitioning to a new alternative rate and any resulting value transfer that may occur. If LIBOR is discontinued or if the methods of calculating LIBOR change from their current form, interest rates on our indebtedness indexed to LIBOR may be adversely affected. Uncertainty about the extent and manner of future changes may also result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

In addition, most of our current debt is, and we anticipate that much of our future debt will be, non-amortizing and payable in balloon payments. Therefore, we will likely need to refinance at least a portion of that debt as it matures. There is a risk that we may not be able to refinance debt maturing in future years or that the terms of any refinancing will not be as favorable as the terms of the then-existing debt. If principal payments due at maturity cannot be refinanced, extended, or repaid with proceeds from other sources, such as new equity capital or sales of facilities, our cash flow may not be sufficient to repay all maturing debt in years when significant balloon payments come due. Additionally, we may incur significant penalties if we choose to prepay the debt. See Item 7 of Part II of this Annual Report on Form 10-K for further information on our current debt maturities.

Covenants in our debt instruments limit our operational flexibility, and a breach of these covenants could materially affect our financial condition and results of operations.

The terms of our unsecured credit facility (“Credit Facility”) and the indentures governing our outstanding unsecured senior notes, and other debt instruments that we may enter into in the future are subject to customary financial and operational covenants. For example, our Credit Facility imposes certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem, or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate; and change our business. In addition, the agreements governing our Credit Facility limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations (“NAFFO”), as defined, on a rolling four quarter basis. Through the quarter ending December 31, 2019, the dividend restriction was 95% of NAFFO. The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of NAFFO, proceeds of equity issuances and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness. From time-to-time, the lenders of our Credit Facility may adjust certain covenants to give us more flexibility to complete a transaction; however, such modified covenants are temporary, and we must be in a position to meet the lowered reset covenants in the future. Our continued ability to incur debt and operate our business is subject to compliance with the covenants in our debt instruments, which limit operational flexibility. Breaches of these covenants could result in defaults under applicable debt instruments and other debt instruments due to cross-default provisions, even if payment obligations are satisfied. Financial and other covenants that limit our operational flexibility, as well as defaults resulting from a breach of any of these covenants in our debt instruments, could have a material adverse effect on our financial condition and results of operations.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations and our ability to make distributions to our stockholders.

As of February 21, 2020, we had approximately $1.9 billion in variable interest rate debt along with an additional €655 million in our joint venture arrangement with Primotop Holdings S.à.r.l. ("Primotop") for which we are a 50% equity owner. This variable rate debt subjects us to interest rate volatility. To manage this interest rate volatility, we have entered into interest rate swaps to fix the interest rate on all but $1.1 billion of this debt. However, even these hedging arrangements involve risk, including the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that these arrangements may result in higher interest rates than we would otherwise have. Moreover, no hedging activity can completely insulate us from the risks associated with changes in interest rates. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations and our ability to make distributions to our stockholders.

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above your purchase price.

We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or distributions;
- changes in our funds from operations, earnings estimates, or publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares of common stock to demand a higher yield;
- changes in market valuations of similar companies;
- changes in the market value of our facilities;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- local conditions such as an oversupply of, or a reduction in demand for, IRFs, LTACHs, ambulatory surgery centers, medical office buildings, specialty hospitals, skilled nursing facilities, regional and community hospitals, women's and children's hospitals, and other single-discipline facilities;
- speculation in the press or investment community; and
- general market and economic conditions.

Future sales of common stock may have adverse effects on our stock price.

We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock. We may issue from time-to-time additional common stock or units of our operating partnership in connection with the acquisition of facilities and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common stock or the perception that these sales could occur may adversely affect the prevailing market price for our common stock. In addition, the sale of these shares could impair our ability to raise future capital through a sale of additional equity securities.

Downgrades in our credit ratings could have a material adverse effect on our cost and availability of capital.

As of February 21, 2020, our corporate credit rating from S&P remained at BB+, and our corporate family rating from Moody's Investors Service was Ba1. There can be no assurance that we will be able to maintain our current credit ratings. Any downgrades in terms of ratings or outlook by any or all of the rating agencies could have a material adverse effect on our cost and availability of capital, which could in turn have a material adverse effect on our financial condition and results of operations.

An increase in market interest rates may have an adverse effect on the market price of our securities.

One of the factors that investors may consider in deciding whether to buy or sell our securities is our dividend rate as a percentage of our price per share of common stock, relative to market interest rates. If market interest rates increase, prospective investors may desire a higher distribution on our securities or seek securities paying higher distributions. The market price of our common stock likely will be based primarily on the earnings that we derive from rental and interest income with respect to our facilities and our related distributions to stockholders, and not from the underlying appraised value of the facilities themselves. As a result, interest rate fluctuations and capital market conditions can affect the market price of our common stock. In addition, rising interest rates would result in increased interest expense on our variable-rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and make distributions.

RISKS RELATING TO REAL ESTATE INVESTMENTS

Our real estate, mortgage, and equity investments are and are expected to continue to be concentrated in a single industry segment, making us more vulnerable economically than if our investments were more diversified.

We acquire, develop, and make investments in healthcare real estate. In addition, we selectively make RIDEA investments (or similar investments) in healthcare operators. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our business strategy to invest solely in healthcare facilities. A downturn in the real estate industry could materially adversely affect the value of our facilities. A downturn in the healthcare industry could negatively affect our tenants' ability to make lease or loan payments to us as well as our return on our equity investments. Consequently, our ability to meet debt service obligations or make distributions to our stockholders are dependent on the real estate and healthcare industries. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of healthcare facilities.

Our facilities may not have efficient alternative uses, which could impede our ability to find replacement tenants in the event of termination or default under our leases.

All of the facilities in our current portfolio are and all of the facilities we expect to acquire or develop in the future will be net-leased healthcare facilities. If we, or our tenants, terminate the leases for these facilities, or if these tenants lose their regulatory authority to operate these facilities, we may not be able to locate suitable replacement tenants to lease the facilities for their specialized uses. Alternatively, we may be required to spend substantial amounts to adapt the facilities to other uses. Any loss of revenues or additional capital expenditures occurring as a result could have a material adverse effect on our financial condition and results of operations and could hinder our ability to meet debt service obligations or make distributions to our stockholders.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our facilities and harm our financial condition.

Real estate investments are relatively illiquid. Additionally, the real estate market is affected by many factors beyond our control, including adverse changes in global, national, and local economic and market conditions and the availability, costs, and terms of financing. Our ability to quickly sell or exchange any of our facilities in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value for any facility that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations.

Development and construction risks could adversely affect our ability to make distributions to our stockholders.

We have developed and constructed facilities in the past and are currently developing four facilities. We will develop additional facilities in the future as opportunities present themselves. Our development and related construction activities may subject us to the following risks:

- we may have to compete for suitable development sites;
- our ability to complete construction is dependent on there being no title, environmental, or other legal proceedings arising during construction;

- we may be subject to delays due to weather conditions, strikes, and other contingencies beyond our control;
- we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy healthcare regulatory, and other required governmental permits and authorizations, which could result in increased costs, delays in construction, or our abandonment of these projects;
- we may incur construction costs for a facility which exceed our original estimates due to increased costs for materials or labor or other costs that we did not anticipate; and
- we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities.

We expect to fund our development projects over time. The time frame required for development and construction of these facilities means that we may have to wait for some time to earn significant cash returns. In addition, our tenants may not be able to obtain managed care provider contracts in a timely manner or at all. Finally, there is no assurance that future development projects will occur without delays and cost overruns. Risks associated with our development projects may reduce anticipated rental revenue which could affect the timing of, and our ability to make, distributions to our stockholders.

We may be subject to risks arising from future acquisitions of real estate.

We may be subject to risks in connection with our acquisition of healthcare real estate, including without limitation the following:

- we may have no previous business experience with the tenants at the facilities acquired, and we may face difficulties in working with them;
- underperformance of the acquired facilities due to various factors, including unfavorable terms and conditions of the existing lease agreements relating to the facilities, disruptions caused by the management of our tenants, or changes in economic conditions;
- diversion of our management’s attention away from other business concerns;
- exposure to any undisclosed or unknown potential liabilities relating to the acquired facilities (or entities acquired in a share deal); and
- potential underinsured losses on the acquired facilities.

We cannot assure you that we will be able to manage the new properties without encountering difficulties or that any such difficulties will not have a material adverse effect on us.

Our facilities may not achieve expected results or we may be limited in our ability to finance future acquisitions, which may harm our financial condition and operating results and our ability to make the distributions to our stockholders required to maintain our REIT status.

Acquisitions and developments entail risks that investments will fail to perform in accordance with expectations and that estimates of the costs of improvements necessary to acquire and develop facilities will prove inaccurate, as well as general investment risks associated with any new real estate investment. Newly-developed or newly-renovated facilities may not have operating histories that are helpful in making objective pricing decisions. The purchase prices of these facilities will be based in part upon projections by management as to the expected operating results of the facilities, subjecting us to risks that these facilities may not achieve anticipated operating results or may not achieve these results within anticipated time frames.

If our facilities do not achieve expected results and generate ample cash flows from operations, amounts available for distribution to stockholders could be adversely affected and we could be required to reduce distributions, thereby jeopardizing our ability to maintain our status as a REIT.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose investment capital and anticipated profits.

Our leases and mortgage loans, generally require our tenants/borrowers to carry property, general liability, professional liability, loss of earnings, all risk, and extended coverage insurance in amounts sufficient to permit the replacement of the facility in the event of a total loss, subject to applicable deductibles. We carry general liability insurance and loss of earnings coverage on all of our properties as a contingent measure in case our tenant’s coverage is not sufficient. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, and acts of terrorism, which may be uninsurable or not insurable at a price we or our tenants/borrowers can afford. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it impracticable to use insurance proceeds to replace a facility after it has been damaged or destroyed.

Under such circumstances, the insurance proceeds we receive might not be adequate to restore our economic position with respect to the affected facility. If any of these or similar events occur, it may reduce our return from the facility and the value of our investment. We continually review the insurance maintained by our tenants/borrowers and believe the coverage provided to be adequate and customary for similarly situated companies in our industry. However, we cannot provide any assurances that such insurance will be available at a reasonable cost in the future. Also, we cannot assure you that material uninsured losses, or losses in excess of insurance proceeds, will not occur in the future.

Our capital expenditures for facility renovation may be greater than anticipated and may adversely impact rent payments by our tenants and our ability to make distributions to stockholders.

Facilities, particularly those that consist of older structures, have an ongoing need for renovations and other capital improvements, including periodic replacement of fixtures and fixed equipment. Although our leases require our tenants to be primarily responsible for the cost of such expenditures, renovation of facilities involves certain risks, including the possibility of environmental problems, regulatory requirements, construction cost overruns and delays, uncertainties as to market demand or deterioration in market demand after commencement of renovation, and the emergence of unanticipated competition from other facilities. All of these factors could adversely impact rent and loan payments by our tenants and returns on our equity investments, which in turn could have a material adverse effect on our financial condition and results of operations along with our ability to make distributions to our stockholders.

All of our healthcare facilities are subject to property taxes that may increase in the future and adversely affect our business.

Our facilities are subject to real and personal property taxes that may increase as property tax rates change and as the facilities are assessed or reassessed by taxing authorities. Our leases generally provide that the property taxes are charged to our tenants as an expense related to the facilities that they occupy. As the owner of the facilities, however, we are ultimately responsible for payment of the taxes to the government. If property taxes increase, our tenants may be unable to make the required tax payments, ultimately requiring us to pay the taxes. If we incur these tax liabilities, our ability to make expected distributions to our stockholders could be adversely affected. In addition, if such taxes increase on properties in which we have an equity investment in the tenant, our return on investment maybe negatively affected.

As the owner and lessor of real estate, we are subject to risks under environmental laws, the cost of compliance with which and any violation of which could materially adversely affect us.

Our operating expenses could be higher than anticipated due to the cost of complying with existing and future environmental laws and regulations. Various environmental laws may impose liability on the current or prior owner or operator of real property for removal or remediation of hazardous or toxic substances. Current or prior owners or operators may also be liable for government fines and damages for injuries to persons, natural resources, and adjacent property. These environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence or disposal of the hazardous or toxic substances. The cost of complying with environmental laws could materially adversely affect amounts available for distribution to our stockholders and could exceed the value of all of our facilities. In addition, the presence of hazardous or toxic substances, or the failure of our tenants to properly manage, dispose of, or remediate such substances, including medical waste generated by physicians and our other healthcare operators, may adversely affect our tenants or our ability to use, sell, or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenue and our financing ability. We typically obtain Phase I environmental assessments (or similar studies) on facilities we acquire or develop or on which we make mortgage loans, and intend to obtain on future facilities we acquire. However, even if the Phase I environmental assessment reports do not reveal any material environmental contamination, it is possible that material environmental contamination and liabilities may exist, of which we are unaware.

Although the leases for our facilities and our mortgage loans generally require our operators to comply with laws and regulations governing their operations, including the disposal of medical waste, and to indemnify us for certain environmental liabilities, the scope of their obligations may be limited. We cannot assure you that our tenants would be able to fulfill their indemnification obligations and, therefore, any material violation of environmental laws could have a material adverse effect on us. In addition, environmental laws are constantly evolving, and changes in laws, regulations, or policies, or changes in interpretations of the foregoing, could create liabilities where none exist today.

Our interests in facilities through ground leases expose us to the loss of the facility upon breach or termination of the ground lease, may limit our use of the facility, and may result in additional expense to us if our tenants vacate our facility.

We have acquired interests in 25 of our facilities, at least in part, by acquiring leasehold interests in the land on which the facility is located rather than an ownership interest in the property, and we may acquire additional facilities in the future through ground leases. As lessee under ground leases, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which would be a negative impact to our financial condition. Ground leases may also restrict our use of facilities, which may limit our flexibility in renting the facility and may impede our ability to sell the property. Finally, if our lease expires or is terminated for whatever reason resulting in the tenant vacating the facility, we would be responsible for the ground lease payments until we found a replacement tenant, which would negatively impact our cash flows and results of operations.

RISKS RELATING TO THE HEALTHCARE INDUSTRY

The continued pressure on fee-for-service reimbursement from third-party payors and the shift towards alternative payment models, could adversely affect the profitability of our tenants and hinder their ability to make payments to us.

Sources of revenue for our tenants and operators may include the Medicare and Medicaid programs, private insurance carriers, and health maintenance organizations, among others. In addition to ongoing efforts to reduce healthcare costs, the failure of any of our tenants to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid, and other government-sponsored payment programs.

The shift in our tenants' payor mix away from fee-for-service payors results in an increase in the percentage of revenues attributable to alternative payment models implemented by private and government payors, which can lead to reductions in reimbursement for services provided by our tenants. There is continued focus on transitioning Medicare from its traditional fee-for-service model to models that employ one or more capitated, value-based, or bundled payment approaches, and private payors have implemented similar types of alternative payment models. Such efforts from private and government payors, in addition to general industry trends, continue to place pressures on our tenants to control healthcare costs. Furthermore, pressures to control healthcare costs and a shift away from traditional health insurance reimbursement have resulted in an increase in the number of patients whose healthcare coverage is provided under managed care plans, such as health maintenance organizations and preferred provider organizations. These shifts place further cost pressures on our tenants. We also continue to believe that, due to the aging of the population and the expansion of governmental payor programs, there will be a marked increase in the number of patients relying on healthcare coverage provided by governmental payors. In instances where we have an equity investment in our tenants’ operations, in addition to the effect on these tenants’ ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

CMS’s regulatory restrictions on reimbursement for LTACHs, IRFs, and HOPDs can lead to reduced reimbursement for our tenants that operate such facilities and departments. CMS continues to explore restrictions on LTACH, IRF, and HOPD reimbursement focused on more restrictive facility and patient level criteria.

The Reform Law represented a major shift in the U.S. healthcare industry by, among other things, allowing millions of formerly uninsured individuals to obtain health insurance coverage and by significantly expanding Medicaid. Though efforts to repeal and replace the Reform Law may continue in the future, we believe that certain trends, including, but not limited to, various quality and reimbursement initiatives discussed above, will continue irrespective of whether the Reform Law is repealed or replaced. We cannot predict with any certainty or precision what effect a repeal or replacement law would have on the operations of our tenants.

All of these changes could have a material adverse effect on the financial condition of some or all of our tenants, which could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders.

Significant regulation and loss of licensure or certification or failure to obtain licensure or certification could negatively impact our tenants' financial condition and results of operations and affect their ability to make payments to us.

The U.S. healthcare industry is highly regulated by federal, state, and local laws and is directly affected by federal conditions of participation, state licensing requirements, facility inspections, state and federal reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other such laws, regulations, and rules. As with the U.S. healthcare industry, our tenants in Australia, the United Kingdom, and other parts of Europe are also subject in some instances to comparable types of laws, regulations, and rules that affect their ownership and operation of healthcare facilities. Although our lease and mortgage loan agreements require our tenants/borrowers to comply with applicable laws, and we intend for these facilities to comply with such laws, we do not actively monitor compliance. Therefore, we cannot offer any assurance that our tenants/borrowers will be found to be in compliance with such, as the same may ultimately be implemented or interpreted.

We are aware of various federal and state inquiries, investigations, and other proceedings currently affecting several of our tenants and would expect such governmental compliance and enforcement activities to be ongoing at any given time with respect to one or more of our tenants, either on a confidential or public basis. An adverse result to our tenant/borrower in one or more such governmental proceedings may have a material adverse effect on their operations and financial condition and on its ability to make required lease and/or loan payments to us. In instances where we have an equity investment in the operator, in addition to the effect on these tenants’/borrowers’ ability to meet their financial obligation to us, our ownership and investment interests may also be negatively impacted.

In the U.S., licensed health care facilities must comply with minimum health and safety standards and are subject to survey and inspection by state and federal agencies and their agents or affiliates, including CMS, the Joint Commission, and state departments of health. CMS develops Conditions of Participation and Conditions for Coverage that health care organizations must meet in order to begin and continue participating in the Medicare and Medicaid programs and receive payment under such programs. These minimum health and safety standards are aimed at improving quality and protecting the health and safety of beneficiaries, and there are several common criteria that exist across health entities. The failure to comply with any of these standards could jeopardize a healthcare organization’s Medicare certification and, in turn, its right to receive payment under the Medicare and Medicaid programs.

Further, many hospitals and other institutional providers in the U.S. are accredited by accrediting organizations, such as the Joint Commission. The Joint Commission was created to accredit healthcare providers, including our tenants that meet its minimum health and safety standards. A national accrediting organization, such as the Joint Commission, enforces standards that meet or exceed such requirements. Surveyors for the Joint Commission, prior to the opening of a facility and approximately every three years thereafter, conduct on site surveys of facilities for compliance with a multitude of patient safety, treatment, and administrative requirements. Facilities may lose accreditation for failure to meet such requirements, which in turn may result in the loss of license or certification including under the Medicare and Medicaid programs.

Finally, healthcare facility reimbursement practices and quality of care issues may result in loss of license or certification- such as engaging in the practice of “upcoding,” whereby services are billed for higher procedure codes, or an event involving poor quality of care, which leads to the serious injury or death of a patient. The failure of any tenant/borrower to comply with such laws, requirements, and regulations resulting in a loss of its license would affect its ability to continue its operation of the facility and would adversely affect its ability to make lease and/or loan payments to us. This, in turn, could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders. In instances where we have an equity investment in the operator, in addition to the effects on these tenants’/borrowers’ ability to meet their financial obligations to us, our ownership and investment interests would be negatively impacted.

In addition, establishment of healthcare facilities and transfers of operations of healthcare facilities in the U.S are typically subject to regulatory approvals, such as state certificate of need laws in the U.S. Restrictions and delays in transferring the operations of healthcare facilities, in obtaining new third-party payor contracts, including Medicare and Medicaid provider agreements, and in receiving licensure and certification approval from appropriate state and federal agencies by new tenants, may affect our ability to terminate lease agreements, remove tenants that violate lease terms, and replace existing tenants with new tenants. Furthermore, these matters may affect a new tenant’s/borrower’s ability to obtain reimbursement for services rendered, which could adversely affect its ability to make lease and/or loan payments to us. In instances where we have an equity investment in the operator, in addition to the effect on these tenants’/borrowers’ ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

Our tenants are subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant’s ability to make payments to us and adversely affect their profitability.

As noted earlier, in the U.S., the federal government and numerous state governments have passed laws and regulations that attempt to eliminate healthcare fraud and abuse by prohibiting business arrangements that induce patient referrals or the ordering of specific ancillary services, or the submission of false claim for payment. The trend toward increased investigation and enforcement activity in the areas of fraud and abuse and patient self-referrals to detect and eliminate fraud and abuse in the Medicare and Medicaid programs is likely to continue in future years. As described above, the penalties for violations of these laws can be substantial and may result in the imposition of criminal and civil penalties and possible exclusion from federal and state healthcare programs. Imposition of any of these penalties upon any of our tenants could jeopardize a tenant’s ability to operate a facility or to make lease and/or loan payments, thereby potentially adversely affecting us. In instances where we have an equity investment in our tenants’ operations, in addition to the effect on the tenants’ ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

In the case of an acquisition of a provider’s operations, some of our tenants have accepted, and prospective tenants may accept, an assignment of the previous operator’s Medicare provider agreement. Such operators and other new-operator tenants that take assignment of Medicare provider agreements might be subject to liability for federal or state regulatory, civil, and criminal investigations of the previous owner’s operations and claims submissions. These types of issues may not be discovered prior to purchase or after our tenants commence operations in our facilities. Adverse decisions, fines, or recoupments might negatively impact our tenants’ financial condition, and in turn their ability to make lease and/or loan payments to us. In instances where we have an equity investment in our tenants’ operations, in addition to the effect on these tenants’ ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted.

Certain of our lease arrangements may be subject to laws related to fraud and abuse or physician self-referrals.

Physician investment in subsidiaries that lease our facilities could subject our lease arrangements to scrutiny under fraud and abuse and physician self-referral laws. Under the Stark Law, and its implementing regulations, if our lease arrangements do not satisfy the requirements of an applicable exception, the ability of our tenants to bill for services provided to Medicare beneficiaries pursuant to referrals from physician investors could be adversely impacted and subject us and our tenants to fines, which could impact our tenants' ability to make lease and/or loan payments to us. In instances where we have an equity investment in our tenants' operations, in addition to the effect on the tenants' ability to meet their financial obligations to us, our ownership and investment interests may also be negatively impacted. Therefore, in all cases, we intend to use our good faith efforts to structure our lease arrangements to comply with these laws.

We may be required to incur substantial renovation costs to make certain of our healthcare properties suitable for other operators and tenants.

Healthcare facilities are typically highly customized, subject to healthcare-specific building code requirements, and may not be easily adapted to non-healthcare-related uses. The improvements generally required to conform a property to healthcare use can be costly and at times tenant-specific. A new or replacement operator or tenant may require different features in a property, depending on that operator's or tenant's particular business. If a current operator or tenant is unable to pay rent and/or vacates a property, we may incur substantial expenditures to modify a property before we are able to secure another operator or tenant. Also, if the property needs to be renovated to accommodate multiple operators or tenants, or regulatory requirements, we may incur substantial expenditures before we are able to re-lease the space. These expenditures or renovations may have a material adverse effect on our business, results of operations, and financial condition.

State certificate of need laws may adversely affect our development of facilities and the operations of our tenants.

Certain healthcare facilities in which we invest may also be subject to state laws in the U.S. which require regulatory approval in the form of a certificate of need prior to the transfer of a healthcare facility or prior to initiation of certain projects, including, but not limited to, the establishment of new or replacement facilities, the addition of beds, the addition or expansion of services, and certain capital expenditures. State certificate of need laws are not uniform throughout the U.S., are subject to change, and may delay developments of facilities or acquisitions or certain other transfers of ownership of facilities including, but limited to, a delay in obtaining approval of a replacement operator for an existing facility. We cannot predict the impact of state certificate of need laws on any of the preceding activities or on the operations of our tenants. Certificate of need laws often materially impact the ability of competitors to enter into the marketplace of our facilities. In addition, in limited circumstances, loss of state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the facility and require re-licensure or new certificate of need authorization to re-institute operations. As a result, a portion of the value of the facility may be related to the limitation on new competitors. In the event of a change in the certificate of need laws, this value may markedly change.

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

Pursuant to Maryland law, our charter and bylaws contain provisions that may have the effect of deterring changes in management and third-party acquisition proposals, which in turn could depress the price of Medical Properties common stock or cause dilution.

Our charter contains ownership limitations that may restrict business combination opportunities, inhibit change of control transactions, and reduce the value of our common stock. To qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, no more than 50% in value of our outstanding stock, after taking into account options to acquire stock, may be owned, directly or indirectly, by five or fewer persons during the last half of each taxable year. Our charter generally prohibits direct or indirect ownership by any person of more than 9.8% in value or in number, whichever is more restrictive, of outstanding shares of any class or series of our securities, including our common stock. Generally, our common stock owned by affiliated owners will be aggregated for purposes of the ownership limitation. The ownership limitation could have the effect of delaying, deterring, or preventing a change in control or other transaction in which holders of common stock might receive a premium for their common stock over the then-current market price or which such holders otherwise might believe to be in their best interests. The ownership limitation provisions also may make our common stock an unsuitable investment vehicle for any person seeking to obtain, either alone or with others as a group, ownership of more than 9.8% of either the value or number of the outstanding shares of our common stock.

Our charter and bylaws contain provisions that may impede third-party acquisition proposals. Our charter and bylaws also provide restrictions on replacing or removing directors. Directors may only be removed by the affirmative vote of the holders of two-thirds of our common stock. Additionally, stockholders are required to give us advance notice of director nominations. Special meetings of stockholders can only be called by our president, our board of directors, or the holders of at least 25% of stock entitled to vote at the meetings. These and other charter and bylaw provisions may delay or prevent a change of control or other transaction in which holders of our common stock might receive a premium for their common stock over the then-current market price or which such holders otherwise might believe to be in their best interests.

Our UPREIT structure may result in conflicts of interest between our stockholders and the holders of our operating partnership units.

We are organized as an umbrella partnership real estate investment trust, “UPREIT”, which means that we hold our assets and conduct substantially all of our operations through an operating limited partnership, and may issue operating partnership units to employees and/or third parties. Persons holding operating partnership units would have the right to vote on certain amendments to the partnership agreement of our operating partnership, as well as on certain other matters. Persons holding these voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Circumstances may arise in the future, such as the sale or refinancing of one of our facilities, when the interests of limited partners in our operating partnership conflict with the interests of our stockholders. As the sole member of the general partner of the operating partnership, we have fiduciary duties to the limited partners of the operating partnership that may conflict with fiduciary duties that our officers and directors owe to its stockholders. These conflicts may result in decisions that are not in the best interest of our stockholders.

We rely on information technology in our operations, and any material failure, inadequacy, interruption, or security failure of that technology could harm our business.

We rely on information technology networks and systems, including the Internet, to process, transmit, and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, and maintaining personal identifying information (in accordance with GDPR law in Europe and similar laws elsewhere) along with tenant and lease data. We purchase or license some of our information technology from vendors. We rely on commercially available systems, software, tools, and monitoring to provide security for the processing, transmission, and storage of confidential tenant data. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems’ improper functioning or the improper access or disclosure of our or our tenant’s information such as in the event of cyber-attacks.

Even well-protected information systems remain potentially vulnerable because the techniques used in security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

A security breach, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, or other significant disruption involving our IT networks and related systems could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants;
- result in misstated financial reports, violations of loan covenants, and/or missed reporting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes;
- require management attention and resources to remedy any resulting damages;
- subject us to liability claims or regulatory penalties; or
- damage our reputation among our tenants and investors generally.

Any of the foregoing could have a materially adverse effect on our business, financial condition, and results of operations.

Unfavorable resolution of pending and future litigation matters and disputes could have a material adverse effect on our financial condition.

From time to time, we are involved in legal proceedings, lawsuits, and other claims. We also are named as defendants in lawsuits allegedly arising out of our actions or the actions of our operators/tenants in which such operators/tenants have agreed to indemnify, defend, and hold us harmless from and against various claims, litigation, and liabilities arising in connection with their respective businesses. An unfavorable resolution of pending or future litigation or legal proceedings may have a material adverse effect on our business, results of operations, and financial condition. Regardless of its outcome, litigation may result in substantial costs and expenses, significantly divert the attention of management, and could damage our reputation. We cannot guarantee losses incurred in connection with any current or future legal or regulatory proceedings or actions will not exceed any available insurance coverage.

Changes in accounting pronouncements could adversely affect our operating results, in addition to the reported financial performance of our tenants.

Uncertainties posed by various initiatives of accounting standard-setting by the Financial Accounting Standards Board ("FASB") and the SEC, which create and interpret applicable accounting standards for U.S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of our financial statements.

These changes could have a material impact on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements. Similarly, these changes could have a material impact on our tenants'/borrowers' reported financial condition or results of operations or could affect our tenants' preferences regarding leasing real estate.

TAX RISKS

Loss of our tax status as a REIT would have significant adverse consequences to us and the value of our common stock.

We believe that we qualify as a REIT for federal income tax purposes and have elected to be taxed as a REIT under the federal income tax laws commencing with our taxable year that began on April 6, 2004, and ended on December 31, 2004. The REIT qualification requirements are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, there is no assurance that we will be successful in operating so as to qualify as a REIT. At any time, new laws, regulations, interpretations, or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax, or other considerations may cause our board of directors to revoke the REIT election, which it may do without stockholder approval.

If we lose or revoke our REIT status, we will face serious tax consequences that will substantially reduce the funds available for distribution because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income; therefore, we would be subject to federal income tax at regular corporate rates, and we might need to borrow money or sell assets in order to pay any such tax;
- we also could be subject to increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

Furthermore, we own a direct interest in a subsidiary REIT that has elected to be taxed as a REIT commencing with the 2019 tax year. Provided that this subsidiary REIT qualifies as a REIT, our interest in the subsidiary will be treated as a qualifying real estate asset for purposes of the REIT asset tests, and any dividend income or gains derived by us from such subsidiary REIT will generally be treated as income that qualifies for purposes of the REIT 95% gross income test. To qualify as a REIT, the subsidiary REIT must independently satisfy all of the REIT qualification requirements. If such subsidiary REIT were to fail to qualify as a REIT, and certain relief provisions did not apply, it would be treated as a regular taxable corporation and its income would be subject to U.S. federal income tax. In addition, a failure of the subsidiary REIT to qualify as a REIT would have an adverse effect on the ability of the Company to comply with the REIT income, asset, and ownership tests, and thus its ability to qualify as a REIT.

As a result of all these factors, a loss or revocation of our REIT status could have a material adverse effect on our financial condition and results of operations and would adversely affect the value of our common stock.

Loss of our tax status as a Managed Investment Trust for our Australia subsidiary would result in additional foreign tax liability.

We have structured our Australia investment through a Managed Investment Trust which provides certain tax benefits to us. In order to obtain these tax benefits, we must meet specific qualifying conditions on an annual basis. If these conditions are not met, we will be subject to higher foreign income tax liabilities related to our Australian investment. We believe all qualifying conditions have been met; however, these qualifications can be subjective and could result in differing interpretations by the local tax authorities.

Failure to make required distributions as a REIT would subject us to tax.

In order to qualify as a REIT, each year we must distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (1) 85% of our ordinary income for that year; (2) 95% of our capital gain net income for that year; and (3) 100% of our undistributed taxable income from prior years.

We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. In the future, we may borrow to pay distributions to our stockholders and the limited partners of our operating partnership. Any funds that we borrow would subject us to interest rate and other market risks.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders, and the ownership of our stock. In order to meet these tests, we may be required to forego attractive business or investment opportunities. Currently, no more than 20% of the value of our assets may consist of securities of one or more TRS and no more than 25% of the value of our assets may consist of securities that are not qualifying assets under the test requiring that 75% of a REIT's assets consist of real estate and other related assets. In addition, at least 75% of our gross income must be generated from either rents from real estate or interest on loans secured by real estate (i.e. mortgage loans). Further, a TRS may not directly or indirectly operate or manage a healthcare facility. Compliance with current and future changes to REIT requirements may limit our flexibility in executing our business plan.

If certain sale-leaseback transactions are not characterized by the Internal Revenue Service ("IRS") or similar tax authorities internationally as "true leases," we may be subject to adverse tax consequences.

We have purchased certain properties and leased them back to the sellers of such properties, and we may enter into similar transactions in the future. We intend for any such sale-leaseback transaction to be structured in a manner that the lease will be characterized as a "true lease," thereby allowing us to be treated as the owner of the property for income tax purposes. However, depending on the terms of any specific transaction, taxing authorities might take the position that the transaction is not a "true lease". In the event any sale-leaseback transaction is challenged and successfully re-characterized, we might not be able to deduct depreciation expense on the real estate or fail to satisfy the REIT asset tests or income test and, consequently could lose our REIT status effective with the year of re-characterization.

Transactions with TRSs may be subject to excise tax.

We have historically entered into lease and other transactions with our TRS and its subsidiaries and expect to continue to do so in the future. Under applicable rules, transactions such as leases between our TRS and its parent REIT that are not conducted on a market terms basis may be subject to a 100% excise tax. While we believe that all of our transactions with our TRS are at arm's length, imposition of a 100% excise tax could have a material adverse effect on our financial condition and results of operations and could adversely affect the trading price of our common stock.

Loans to our tenants could be characterized as equity, in which case our income from that tenant might not be qualifying income under the REIT rules and we could lose our REIT status.

In connection with the acquisition in 2004 of certain Vibra Healthcare, LLC ("Vibra") facilities, our TRS made a loan to Vibra to acquire the operations at those Vibra facilities. The acquisition loan bore interest at an annual rate of 10.25%. Our operating partnership loaned the funds to the TRS to make this loan. The loan from our operating partnership to the TRS bore interest at an annual rate of 9.25%.

Like the Vibra loan discussed above, our TRS has made and will make loans to tenants in our facilities to acquire operations or for working capital purposes. The IRS may take the position that certain loans to tenants should be treated as equity interests rather than debt, and that our interest income from such tenant should not be treated as qualifying income for purposes of the REIT gross income tests. If the IRS were to successfully treat a loan to a particular tenant as equity interests, the tenant would be a "related party tenant" with respect to our company and the rent that we receive from the tenant would not be qualifying income for purposes of the REIT gross income tests. As a result, we could be in jeopardy of failing the 75% income test discussed above, which if we did would cause us to lose our REIT status. In addition, if the IRS were to successfully treat a particular loan as interests held by our operating partnership rather than by our TRS, we could fail the 5% asset test, and if the IRS further successfully treated the loan as other than straight debt, we could fail the 10% asset test with respect to such interest. As a result of the failure of either test, we could lose our REIT status, which would subject us to corporate level income tax and adversely affect our ability to make distributions to our stockholders.

Certain property transfers may generate prohibited transaction income, resulting in a penalty tax on gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties, including by contributing properties to our co-investment ventures. Under the Code, any gain resulting from transfers of properties we hold as inventory or primarily for sale to customers in the ordinary course of business is treated as income from a prohibited transaction subject to a 100% penalty tax. We do not believe that our transfers or disposals of property or our contributions of properties into our co-investment ventures are prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The IRS may contend that certain transfers or dispositions of properties by us or contributions of properties into our co-investment ventures are prohibited transactions. While we believe that the IRS would not prevail in any such dispute, if the IRS were to argue successfully that a transfer, disposition, or contribution of property constituted a prohibited transaction, we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT.

Changes in U.S. or foreign tax laws, regulations, including changes to tax rates, may adversely affect our results of operations.

We are headquartered in the U.S. with subsidiaries and investments globally and are subject to income taxes in these jurisdictions. Significant judgment is required in determining our provision for income taxes. Although we believe that we have adequately assessed and accounted for our potential tax liabilities, and that our tax estimates are reasonable, there can be no assurance that additional taxes will not be due upon audit of our tax returns or as a result of changes to applicable tax laws. The U.S. government as well as the governments of many of the locations in which we operate (such as Australia, Germany, the United Kingdom, and Luxembourg, which is where most of our Europe entities are domiciled) are actively discussing changes to the corporate recognition and taxation. Our future tax expense could be adversely affected by these changes in tax laws or their interpretation, both domestically and internationally. Potential tax reforms being considered by many countries include changes that could impact, among other things, global tax reporting, intercompany transfer pricing arrangements, the definition of taxable permanent establishments, and other legal or financial arrangements. The nature and timing of any changes to each jurisdiction's tax laws and the impact on our future tax liabilities both in the U.S. and abroad cannot be predicted with any accuracy but could materially and adversely impact our results of operations and cash flows.

The recently enacted Tax Cuts and Jobs Act is a complex revision to the U.S. federal income tax laws with impacts on different categories of taxpayers and industries, and will require subsequent rulemaking and interpretation in a number of areas. The long-term impact of the Tax Cuts and Jobs Act on the overall economy, government revenues, our tenants, our company, and the real estate industry cannot be reliably predicted at this time. Furthermore, the Tax Cuts and Jobs Act may impact certain of our tenants' operating results, financial condition, and future business plans. The Tax Cuts and Jobs Act may also result in reduced government revenues, and therefore reduced government spending, which may impact some of our tenants that rely on government funding. There can be no assurance that the Tax Cuts and Jobs Act will not impact our operating results, financial condition, and future business operations.

Changes in or interpretation of tax law could impact the determination of our income tax liability for the current and future tax years.

We have investments in multiple countries. Consequently, we are subject to the jurisdiction of a significant number of taxing authorities. The income earned in these various jurisdictions is taxed on differing bases, which includes numerous complexities that vary by jurisdiction. The final determination of our income tax liabilities involves interpretation of local tax laws, tax treaties, and related authorities for each source of income earned and expenditure incurred. We go to significant lengths, and incur additional costs, to support all material tax positions taken in these foreign jurisdictions. However, changes in the tax environment or interpretation of tax law could impact the determination of our income tax liabilities for the year and result in higher tax liabilities for us.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

Income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts, and estates are generally subject to tax at preferential rates. Dividends payable by REITs, however, generally are not eligible for the preferential tax rates applicable to qualified dividend income. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the preferential rates continue to apply to regular corporate qualified dividends, investors who are individuals, trusts, and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could materially and adversely affect the value of the shares of REITs, including the per share trading price of our capital stock.

The Tax Cuts and Jobs Act provides a deduction to non-corporate taxpayers (e.g., individuals, trusts, and estates) of 20% on dividends paid by a REIT that are not classified as capital gains. This provides closer parity between the treatment under the new law of ordinary REIT dividends and qualified dividends. The new law also provides for a maximum individual marginal tax rate on ordinary income, without regard to the effect of this deduction, of 37%. For non-corporate taxpayers, this would reduce the maximum marginal tax rate on ordinary REIT dividends to 33.4% (including the 3.8% Medicare tax that is applied before the 20% deduction).

The new tax law's 20% deduction on dividends paid by a REIT to non-corporate taxpayers and the reduced individual tax rates are scheduled to sunset for tax years beginning after 2025, absent further legislation.

ITEM 1B. ***Unresolved Staff Comments***

None.

ITEM 2. *Properties*

At December 31, 2019, our portfolio (including properties in our five real estate joint ventures) consisted of 359 properties: 336 facilities (of the 348 facilities that we owned) were in operation and leased to 42 operators, 11 assets were in the form of first mortgage loans to five operators, and four properties were under construction. Our owned facilities consisted of 222 general acute care hospitals, 103 IRFs, and 23 LTACHs. The 11 non-owned facilities consisted of seven general acute care facilities, three IRFs, and one LTACH.

	Total Properties	Total 2019 Revenue	Total Assets(A)	
		(Dollars in thousands)		
United States:				
Alabama	2	$ 783	$ 8,911	
Arizona	16	50,374	503,020	(C)
Arkansas	2	8,920	100,938	
California	23	92,322	1,298,244	
Colorado	13	10,712	98,014	
Connecticut	3	16,592	464,614	
Florida	4	16,744	208,318	
Idaho	6	19,423	285,518	(B)
Illinois	1	8	2,000	
Indiana	3	4,734	53,003	
Iowa	1	205	57,029	
Kansas	11	16,944	305,206	
Kentucky	1	2,638	66,300	
Louisiana	7	13,726	153,968	
Massachusetts	10	137,501	1,449,422	
Michigan	2	4,545	39,875	
Missouri	4	19,952	210,921	
Montana	1	1,701	17,680	
Nevada	1	10,325	87,181	
New Jersey	6	42,625	310,854	
New Mexico	2	4,518	43,791	
Ohio	7	13,420	136,593	(C)
Oklahoma	2	517	79,354	
Oregon	1	10,038	110,000	
Pennsylvania	11	31,858	905,887	
Rhode Island	2	3,035	112,937	
South Carolina	7	12,679	168,511	
Texas	61	119,087	1,363,086	(B)(C)
Utah	7	87,191	1,084,051	
Virginia	2	1,793	25,580	
Washington	2	12,653	136,600	
West Virginia	2	(27)	28,171	(C)
Wisconsin	2	3,137	31,062	
Wyoming	3	2,239	102,446	
Other assets	—	—	681,437	
Total United States	228	$ 772,912	$ 10,730,522	
International:				
Germany	81	$ 33,620	750,313	(D)
Switzerland	15	—	308,486	(D)
Australia	11	31,238	897,915	
United Kingdom	12	15,776	618,954	(B)
Italy	8	—	91,405	(D)
Spain	3	482	159,451	(D)
Portugal	1	169	34,291	
Other assets	—	—	875,994	
Total International	131	$ 81,285	$ 3,736,809	
Total	359	$ 854,197	$ 14,467,331	

(A) Represents total assets at December 31, 2019.
(B) Includes development projects still under construction at December 31, 2019.
(C) Arizona, Ohio, and West Virginia each include one facility that is vacant at December 31, 2019. Texas includes five facilities that were vacant at December 31, 2019. Our investment in facilities that were vacant at December 31, 2019 is less than 0.6% of total assets.
(D) For Germany, Switzerland, Italy, and Spain, we own properties through five real estate joint venture arrangements. The table below shows revenues earned from our joint venture arrangements:

	Total Properties	Total 2019 Revenue
	(Dollars in thousands)	
Germany	71	$ 62,356
Switzerland	15	10,844
Italy	8	7,876
Spain	3	2,886
Total	97	$ 83,962

A breakout of our facilities at December 31, 2019 based on property type is as follows:

	Number of Properties	Total Square Footage	Total Licensed Beds(A)
General acute care hospitals	229	37,212,980	21,584
IRFs	106	11,988,031	15,962
LTACHs	24	1,365,150	1,396
	359	50,566,161	38,942

(A) Excludes our four facilities that are under development.

The following table shows lease and loan expirations, assuming that none of the tenants/borrowers exercise any of their renewal options (dollars in thousands):

Total Lease and Loan Portfolio(1)	Total Leases/ Loans(2)	Annualized Base Rent/ Interest(3)	% of Total Annualized Base Rent/ Interest	Total Square Footage	Total Licensed Beds
2020	1	$ 925	0.1%	—	—
2021	2	3,444	0.3%	143,382	190
2022	18	85,500	7.9%	4,170,429	3,134
2023	4	13,476	1.3%	912,652	823
2024	2	5,459	0.5%	387,870	374
2025	5	20,430	1.9%	1,299,924	731
2026	2	8,676	0.8%	212,272	187
2027	1	3,129	0.3%	102,948	13
2028	4	5,478	0.5%	141,725	74
2029	22	54,746	5.1%	2,882,622	1,377
2030	—	—	—	—	—
Thereafter	316	876,418	81.3%	40,566,496	33,966
Total	377	$ 1,077,681	100.0%	50,820,320	40,869

(1) Schedule includes leases and mortgage loans.
(2) Includes all properties, including 97 properties owned through joint ventures and 30 properties acquired on January 8, 2020 as more fully described in Note 8 of Item 8 of this Annual Report on Form 10-K, except eight vacant properties representing less than 1% of our total pro forma gross assets, and four facilities that are under development.
(3) The most recent monthly base rent and mortgage loan interest annualized. This does not include tenant recoveries, additional rents, and other lease/loan-related adjustments to revenue (i.e., straight-line rents and deferred revenues).

ITEM 3. ***Legal Proceedings***

From time-to-time, there are various legal proceedings pending to which we are a party or to which some of our properties are subject to arising in the normal course of business. At this time, we do not believe that the ultimate resolution of these proceedings will have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. ***Mine Safety Disclosures***

None.

PART II

ITEM 5. ***Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

(a) Medical Properties' common stock is traded on the New York Stock Exchange under the symbol "MPW." The following table sets forth the high and low sales prices for the common stock for the periods indicated, as reported by the New York Stock Exchange Composite Tape, and the dividends per share declared by us with respect to each such period.

	High	Low	Dividends
Year Ended December 31, 2019			
First Quarter	$ 18.89	$ 15.50	$ 0.25
Second Quarter	18.92	16.83	0.25
Third Quarter	19.67	17.06	0.26
Fourth Quarter	21.63	18.94	0.26
Year Ended December 31, 2018			
First Quarter	$ 13.89	$ 11.82	$ 0.25
Second Quarter	14.18	12.25	0.25
Third Quarter	15.24	13.79	0.25
Fourth Quarter	17.52	13.98	0.25

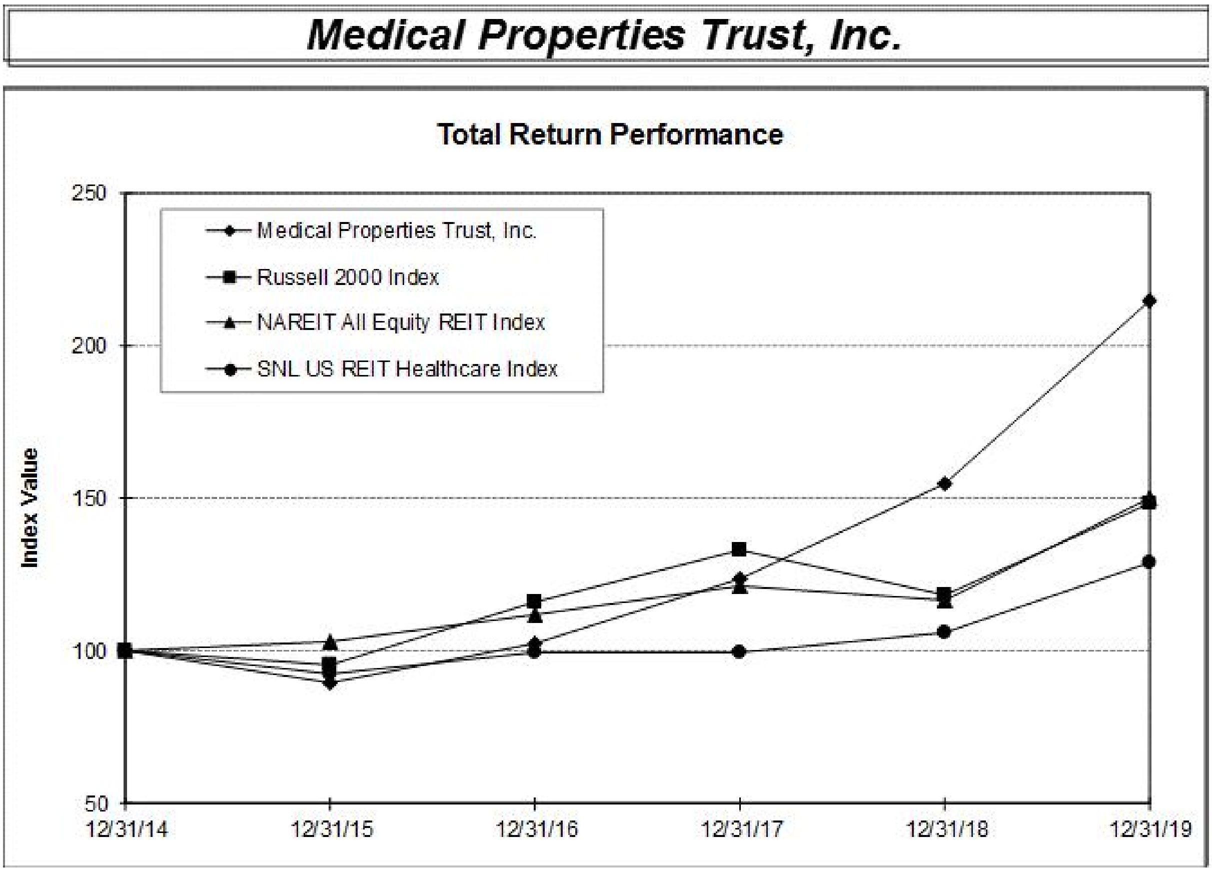
On February 21, 2020, the closing price for our common stock, as reported on the New York Stock Exchange, was $24.15 per share. As of February 21, 2020, there were 85 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

To qualify as a REIT, we must distribute at least 90% of our REIT taxable income, excluding net capital gain, as dividends to our stockholders. If dividends are declared in a quarter, those dividends will be paid during the subsequent quarter. We expect to continue the policy of distributing our taxable income through regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements, and our financial condition. In addition, our Credit Facility limits the amounts of dividends we can pay — see Note 4 of Item 8 of this Annual Report on Form 10-K for more information.

(b) Not applicable.

(c) None.

The following graph provides comparison of cumulative total stockholder return for the period from December 31, 2014 through December 31, 2019, among us, the Russell 2000 Index, NAREIT All Equity REIT Index, and SNL US REIT Healthcare Index. The stock performance graph assumes an investment of $100 in us and the three indices, and the reinvestment of dividends. The historical information below is not indicative of future performance.



Index	Period Ending					
	12/31/2014	12/31/2015	12/30/2016	12/31/2017	12/31/2018	12/31/2019
Medical Properties Trust, Inc.	100.00	89.72	102.73	123.84	154.83	214.49
Russell 2000	100.00	95.59	115.95	132.94	118.30	148.49
NAREIT All Equity REIT Index	100.00	102.83	111.70	121.39	116.48	149.86
SNL US REIT Healthcare	100.00	92.73	99.61	99.46	105.83	128.59

The graph and accompanying text shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended.

ITEM 6. ***Selected Financial Data***

The following tables set forth are selected consolidated financial and operating data for Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. and their respective subsidiaries. You should read the following selected financial data in conjunction with the consolidated financial statements and notes thereto of each of Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. and their respective subsidiaries included in Item 8, in this Annual Report on Form 10-K, along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7, in this Annual Report on Form 10-K.

Medical Properties Trust, Inc.

The consolidated operating and balance sheet data have been derived from our audited consolidated financial statements. As of December 31, 2019, Medical Properties Trust, Inc. had a 99.9% equity ownership interest in the Operating Partnership. Medical Properties Trust, Inc. has no significant operations other than as the sole member of its wholly owned subsidiary, Medical Properties Trust, LLC, which is the sole general partner of the Operating Partnership, and no material assets, other than its direct and indirect investment in the Operating Partnership.

	2019	2018	2017	2016	2015
	(In thousands except per share data)				
OPERATING DATA					
Total revenues	$ 854,197	$ 784,522	$ 704,745	$ 541,137	$ 441,878
Expenses:					
Interest	237,830	223,274	176,954	159,597	120,884
Real estate depreciation and amortization	152,313	133,083	125,106	94,374	69,867
Property-related	23,992	9,237	5,811	2,712	3,792
General and administrative	96,411	80,086	58,599	48,911	43,639
Acquisition costs	—	917	29,645	46,273	61,342
Total expenses	510,546	446,597	396,115	351,867	299,524
Other income (expense):					
Gain on sale of real estate and other	41,560	719,392	7,431	61,224	3,268
Impairment charges	(21,031)	(48,007)	—	(7,229)	—
Earnings from equity interests	16,051	14,165	10,058	(1,116)	2,849
Debt refinancing and unutilized financing costs	(6,106)	—	(32,574)	(22,539)	(4,367)
Other	(345)	(4,071)	374	(503)	(2,674)
Income tax benefit (expense)	2,621	(927)	(2,681)	6,830	(1,503)
Net income	376,401	1,018,477	291,238	225,937	139,927
Net income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)	(889)	(329)
Net income attributable to MPT common stockholders	$ 374,684	$ 1,016,685	$ 289,793	$ 225,048	$ 139,598
Net income attributable to MPT common stockholders per diluted share	$ 0.87	$ 2.76	$ 0.82	$ 0.86	$ 0.63
Weighted-average shares outstanding — diluted	428,299	366,271	350,441	261,072	218,304
OTHER DATA					
Dividends declared per common share	$ 1.02	$ 1.00	$ 0.96	$ 0.91	$ 0.88
FFO(1)	$ 535,768	$ 485,335	$ 408,512	$ 253,478	$ 205,168
Normalized FFO(1)	$ 557,413	$ 501,004	$ 474,879	$ 334,826	$ 274,805
Normalized FFO per share(1)	$ 1.30	$ 1.37	$ 1.35	$ 1.28	$ 1.26
Cash paid for acquisitions and other related investments	$ 4,565,594	$ 666,548	$ 2,246,788	$ 1,489,147	$ 1,833,018

	December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
BALANCE SHEET DATA					
Real estate assets — at cost	$10,163,056	$ 5,952,512	$ 6,642,947	$ 4,965,968	$ 3,924,701
Real estate accumulated depreciation/amortization	(570,042)	(464,984)	(455,712)	(325,125)	(257,928)
Mortgage and other loans	1,819,854	1,586,520	1,928,525	1,216,121	1,422,403
Cash and cash equivalents	1,462,286	820,868	171,472	83,240	195,541
Other assets	1,592,177	948,727	733,056	478,332	324,634
Total assets	$14,467,331	$ 8,843,643	$ 9,020,288	$ 6,418,536	$ 5,609,351
Debt, net	$ 7,023,679	$ 4,037,389	$ 4,898,667	$ 2,909,341	$ 3,322,541
Other liabilities	415,498	245,316	286,416	255,967	179,545
Total Medical Properties Trust, Inc. stockholders’ equity	7,028,047	4,547,108	3,820,633	3,248,378	2,102,268
Non-controlling interests	107	13,830	14,572	4,850	4,997
Total equity	7,028,154	4,560,938	3,835,205	3,253,228	2,107,265
Total liabilities and equity	$14,467,331	$ 8,843,643	$ 9,020,288	$ 6,418,536	$ 5,609,351

MPT Operating Partnership, L.P.

The consolidated operating and balance sheet data presented below have been derived from the Operating Partnership's audited consolidated financial statements.

	2019	2018	2017	2016	2015
	(In thousands except per unit data)				
OPERATING DATA					
Total revenues	$ 854,197	$ 784,522	$ 704,745	$ 541,137	$ 441,878
Expenses:					
Interest	237,830	223,274	176,954	159,597	120,884
Real estate depreciation and amortization	152,313	133,083	125,106	94,374	69,867
Property-related	23,992	9,237	5,811	2,712	3,792
General and administrative	96,411	80,086	58,599	48,911	43,639
Acquisition costs	—	917	29,645	46,273	61,342
Total expenses	510,546	446,597	396,115	351,867	299,524
Other income (expense):					
Gain on sale of real estate and other	41,560	719,392	7,431	61,224	3,268
Impairment charges	(21,031)	(48,007)	—	(7,229)	—
Earnings from equity interests	16,051	14,165	10,058	(1,116)	2,849
Debt refinancing and unutilized financing costs	(6,106)	—	(32,574)	(22,539)	(4,367)
Other	(345)	(4,071)	374	(503)	(2,674)
Income tax benefit (expense)	2,621	(927)	(2,681)	6,830	(1,503)
Net income	376,401	1,018,477	291,238	225,937	139,927
Net income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)	(889)	(329)
Net income attributable to MPT Operating Partnership partners	$ 374,684	$ 1,016,685	$ 289,793	$ 225,048	$ 139,598
Net income attributable to MPT Operating Partnership partners per diluted unit	$ 0.87	$ 2.76	$ 0.82	$ 0.86	$ 0.63
Weighted-average units outstanding — diluted	428,299	366,271	350,441	261,072	218,304
OTHER DATA					
Dividends declared per unit	$ 1.02	$ 1.00	$ 0.96	$ 0.91	$ 0.88
FFO(1)	$ 535,768	$ 485,335	$ 408,512	$ 253,478	$ 205,168
Normalized FFO(1)	$ 557,413	$ 501,004	$ 474,879	$ 334,826	$ 274,805
Normalized FFO per unit(1)	$ 1.30	$ 1.37	$ 1.35	$ 1.28	$ 1.26
Cash paid for acquisitions and other related investments	$ 4,565,594	$ 666,548	$ 2,246,788	$ 1,489,147	$ 1,833,018

	December 31,				
	2019	2018	2017	2016	2015
	(In thousands)				
BALANCE SHEET DATA					
Real estate assets — at cost	$ 10,163,056	$ 5,952,512	$ 6,642,947	$ 4,965,968	$ 3,924,701
Real estate accumulated depreciation/amortization	(570,042)	(464,984)	(455,712)	(325,125)	(257,928)
Mortgage and other loans	1,819,854	1,586,520	1,928,525	1,216,121	1,422,403
Cash and cash equivalents	1,462,286	820,868	171,472	83,240	195,541
Other assets	1,592,177	948,727	733,056	478,332	324,634
Total assets	$ 14,467,331	$ 8,843,643	$ 9,020,288	$ 6,418,536	$ 5,609,351
Debt, net	$ 7,023,679	$ 4,037,389	$ 4,898,667	$ 2,909,341	$ 3,322,541
Other liabilities	415,108	244,926	286,026	255,577	179,155
Total MPT Operating Partnership, L.P. capital	7,028,437	4,547,498	3,821,023	3,248,768	2,102,658
Non-controlling interests	107	13,830	14,572	4,850	4,997
Total capital	7,028,544	4,561,328	3,835,595	3,253,618	2,107,655
Total liabilities and capital	$ 14,467,331	$ 8,843,643	$ 9,020,288	$ 6,418,536	$ 5,609,351

(1) See section titled "Non-GAAP Financial Measures" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Annual Report on Form 10-K for an explanation of why these non-GAAP financial measures are useful along with a reconciliation to our GAAP earnings.

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Unless otherwise indicated, references to "our," "we," and "us" in this management's discussion and analysis of financial condition and results of operations refer to Medical Properties Trust, Inc. and its consolidated subsidiaries, including MPT Operating Partnership, L.P.

Overview

We were incorporated in Maryland on August 27, 2003, primarily for the purpose of investing in and owning net-leased healthcare facilities. We also make real estate mortgage loans and other loans to our tenants. We conduct our business operations in one segment. We currently have healthcare investments in the U.S., Europe and Australia. We have operated as a REIT since April 6, 2004, and accordingly, elected REIT status upon the filing of our calendar year 2004 U.S. federal income tax return. Our existing tenants are, and our prospective tenants will generally be, healthcare operating companies and other healthcare providers that use substantial real estate assets in their operations. We offer financing for these operators' real estate through 100% lease and mortgage financing and generally seek lease and loan terms on a long-term basis ranging from 10 to 15 years with a series of shorter renewal terms at the option of our tenants and borrowers. We also have included and intend to include in our lease and loan agreements annual contractual minimum rate increases. Our existing portfolio's minimum escalators generally range from 0.5% to 3%. In addition, most of our leases and loans also include rate increases based on the general rate of inflation if greater than the minimum contractual increases. Only less than 3% of our properties do not have either a minimum escalator or an escalator based on inflation. Beyond rent or mortgage interest, our leases and loans typically require our tenants to pay all operating costs and expenses associated with the facility. Finally, we may acquire a profits or other equity interest in our tenants that gives us a right to share in the tenant's income or loss.

We selectively make loans to certain of our operators through our TRSs, which the operators use for acquisitions and working capital. We consider our lending business an important element of our overall business strategy for two primary reasons: (1) it provides opportunities to make income-earning investments that yield attractive risk-adjusted returns in an industry in which our management has expertise, and (2) by making debt capital available to certain qualified operators, we believe we create for our company a competitive advantage over other buyers of, and financing sources for, healthcare facilities.

At December 31, 2019, our portfolio (including real estate assets in joint ventures) consisted of 359 properties leased or loaned to 42 operators, of which four are under development and 11 are in the form of mortgage loans.

<u>2019 Highlights</u>

In 2019, we invested in approximately $4.5 billion in healthcare real estate assets. These significant investments enhanced the size and scale of our healthcare portfolio, while expanding our geographic footprint in the U.S. and Europe, and entering into new territories such as Australia. These investments also extended our lease and loan maturity schedule. To fund these new investments, we raised $2.5 billion in proceeds from equity sales during 2019, received proceeds of $837 million from an Australian term loan facility in June 2019, and completed $900 million and £1 billion senior unsecured notes offerings in July and December 2019, respectively. In addition to the record breaking acquisition year, we generated returns to our shareholders of 39% during 2019, outpacing the returns of several key indexes, as noted in Item 5 of this Annual Report on Form 10-K. Our return included an increase to our dividend to $0.26 per share per quarter in 2019, which is the 5th year in a row for such an increase.

A summary of our 2019 highlights is as follows:

- Acquired real estate assets or commenced development projects totaling more than $4.5 billion, as noted below:
  - Invested in three acute care hospitals and one IRF for an aggregate investment of approximately $135 million. One of the acute care hospitals is located in Big Spring, Texas and leased to Steward pursuant to the existing master lease agreement. The second facility, located in Poole, England, is leased to BMI Healthcare ("BMI"). The third acute care facility is located in Watsonville, California and is leased to Halsen Healthcare. The IRF is located in Germany and leased to affiliates of Median Kliniken S.à r.l. ("MEDIAN");
  - Invested in a portfolio of 13 acute care campuses and two additional properties in Switzerland for a combined purchase price of approximately CHF 236.6 million, effected through our purchase of a 46% stake in a Swiss healthcare real estate company, Infracore SA. These facilities are leased to Swiss Medical Network. Additionally, we purchased a 4.9% stake in Aevis Victoria SA, previous majority shareholder of Infracore, for CHF 47 million;
  - Acquired 11 hospitals in Australia for a purchase price of approximately AUD $1.2 billion plus stamp duties and registration fees of AUD $66.6 million. These facilities are leased to Healthscope;
  - Acquired seven community hospitals in Kansas for approximately $145.4 million. These facilities are leased to Saint Luke's Health System;

- Acquired 14 acute care hospitals and two behavioral health facilities for a combined purchase price of approximately $1.55 billion. These facilities are leased to Prospect;
- Acquired eight private hospitals located throughout England for an aggregate purchase price of £347 million. These facilities are leased to Ramsay Health Care;
- Acquired 10 post-acute facilities in various states throughout the U.S. for approximately $268 million. These facilities are leased to Vibra;
- Commenced the development of a behavioral hospital in Houston, Texas for $27.5 million. This facility will be leased to NeuroPsychiatric Hospitals upon completion in the fourth quarter of 2020;
- Acquired an acute care hospital in Portugal for approximately €28.2 million. This facility is leased to Jose de Mello;
- Acquired two acute care hospitals in Spain for €117.3 million, effected through our purchase of a 45% interest in a joint venture. These facilities are leased to HM Hospitales; and
- Acquired 10 acute care hospitals in six U.S. states for approximately $700.0 million leased to LifePoint.

With these new investments, we expanded our total assets to $14.5 billion, increased the number of properties in our portfolio to 359, increased our total operators to 42, expanded our geographic footprint in the U.S. to 34 states, and entered the Australian market.

- To help fund these investments, we used cash on-hand and generated proceeds through equity offerings, utilization of our at-the-market equity program, through new issuances of unsecured notes, and from sales of real estate. Details of such activities are as follows:
  - Sold 36.1 million shares under our at-the-market equity program, generating proceeds of approximately $650 million;
  - Received proceeds from an Australian term facility of approximately $837 million in June 2019 and fixed the interest rate to approximately 2.45% in July 2019 using an interest rate swap;
  - Completed an underwritten public offering of 51.75 million shares of our common stock in July 2019, resulting in net proceeds of approximately $860 million; after deducting underwriting discounts and commissions and offering expenses;
  - Completed a $900 million senior unsecured notes offering in July 2019 with a rate of 4.625%;
  - Completed an underwritten public offering of 57.5 million shares of our common stock in November 2019, resulting in net proceeds of $1.026 billion, after deducting underwriting discounts and commissions and offering expenses;
  - Completed a £400 million and £600 million unsecured notes offering in December 2019 with a rate of 2.550% and 3.692%, respectively; and
  - Sold five properties in 2019 generating net proceeds of $97 million and a gain of $41.6 million.

Subsequent to year-end, we acquired 30 acute care hospital facilities located throughout the United Kingdom for a purchase price of £1.5 billion. These facilities will ultimately be leased to Circle as they acquired the hospital operations from BMI in a related transaction. This acquisition was funded using proceeds from the December 2019 Sterling bond offering along with proceeds from a £700 million term loan entered into in January 2020.

2018 Highlights

In 2018, we demonstrated the value of our portfolio through strategic property sales that generated gains exceeding $700 million and cash proceeds of approximately $2 billion. In addition, we generated strong returns to our shareholders of 25% during 2018. Our return included an increase in our quarterly dividend to $0.25 per share in 2018. Finally, we improved our liquidity position and leverage metrics during 2018.

A summary of our 2018 highlights is as follows:

- Sold the real estate of 76 properties (71 of which are leased to MEDIAN and were contributed to a joint venture arrangement) and sold our equity interest in Ernest Health, Inc. (“Ernest”) (along with the repayment of all outstanding loans and accrued interest) for a net gain of approximately $720 million, as noted below:
  - Sold two acute care hospitals in Houston, Texas for a net gain of approximately $100 million;
  - Sold three long-term acute care hospitals located in California, Texas, and Oregon, for $53 million of cash and resulting in a net gain of $19.1 million;

- Sold 71 properties located in Germany for a net gain of approximately €500 million by way of a joint venture arrangement, for which we own a 50% interest; and
- Sold our investment in the operations of Ernest and were repaid outstanding loans and accrued interest generating over $176 million in cash.

- Acquired the following real estate assets:
  - Acquired three inpatient rehabilitation hospitals in Germany for a combined purchase price of €17.3 million. These facilities are leased to MEDIAN;
  - Acquired five acute care hospitals from Steward in exchange for the reduction of $764 million in mortgage loans plus cash, which further increased the strength of our portfolio; and
  - Acquired an acute care hospital in Pasco, Washington for $17.5 million. This facility is leased to LifePoint.
- After completing our strategic dispositions, we repaid over $800 million in outstanding revolver debt, resulting in approximately $1.3 billion in available liquidity from the revolving credit facility at December 31, 2018.
- Sold 5.6 million shares under our at-the-market equity program, generating proceeds of approximately $95 million.
- Successfully re-tenanted nine of the 16 Adeptus transition properties and our Florence facility.

<u>2017 Highlights</u>

In 2017, we invested or committed to invest approximately $2.2 billion in healthcare real estate assets. These significant investments enhanced the size and scale of our healthcare portfolio, while expanding our geographic footprint in the U.S. and extending our lease and mortgage loan maturity schedule. Furthermore, we strategically sold an asset for proceeds totaling $64 million, raised $548 million in proceeds from a successful equity offering, and refinanced approximately $0.6 billion of debt, which strengthened our balance sheet, reduced interest rates, and funded acquisitions. Finally, we increased our dividend to $0.24 per share per quarter in 2017.

A summary of our 2017 highlights is as follows:

- Acquired real estate assets, entered into development agreements, entered into leases, and made new loan investments, totaling more than $2.2 billion as noted below:
  - Acquired 17 inpatient rehabilitation hospitals and one acute care hospital in Germany for a combined purchase price of €274 million. These facilities are leased to MEDIAN or its affiliates;
  - Acquired 15 acute care hospitals, one rehabilitation hospital, and one behavioral health facility, completed mortgage financing on two acute care hospitals, and invested in an additional minority equity contribution in Steward for an aggregate investment of $1.8 billion;
  - Acquired an acute care hospital in Lewiston, Idaho for $87.5 million. This facility is leased to LifePoint; and
  - Executed agreements totaling more than $150 million with Circle and Surgery Partners, Inc. to develop acute care hospitals in Birmingham, England and Idaho Falls, Idaho, respectively.

  With these new investments, we expanded our gross assets to $9.5 billion, increased the total number of properties in our portfolio to 275, and increased our total number of beds to more than 32 thousand, as of December 31, 2017.

- Sold the real estate of an acute care facility in Muskogee, Oklahoma, for a net gain of $7.4 million.
- To fund our over $2.2 billion of asset investments, while lowering our average interest cost, we successfully refinanced approximately $0.6 billion of debt and generated proceeds of approximately $2.5 billion from the sale of 43.1 million shares in an equity offering and through new issuances of unsecured notes. Details of such activities are as follows:
  - Replaced our previous unsecured credit facility with a $1.3 billion unsecured revolving loan facility, a $200 million unsecured term loan facility, and a €200 million unsecured term loan facility;
  - Redeemed our 5.750% Senior Unsecured Notes due 2020 using proceeds from our €200 million term loan and cash on hand;
  - Completed a €500 million senior unsecured notes offering in March 2017 and used a portion of the proceeds to pay off our €200 million term loan;
  - Completed a $1.4 billion senior unsecured notes offering in September 2017 at a rate of 5.000% and used a portion of the proceeds to redeem our 6.375% Senior Unsecured Notes due 2022;

- Prepaid the principal amount of the mortgage loan on our property in Kansas City, Missouri at par in the amount of $12.9 million; and
- Completed an underwritten public offering of 43.1 million shares of our common stock, resulting in net proceeds of $548 million, after deducting offering expenses.

Critical Accounting Policies

In order to prepare financial statements in conformity with generally accepted accounting principles ("GAAP") in the U.S., we must make estimates about certain types of transactions and account balances. We believe that our estimates of the amount and timing of credit losses, fair value adjustments (either as part of a purchase price allocation or impairment analyses), and periodic depreciation of our real estate assets, along with our assessment as to whether an entity that we do business with should be consolidated with our results, have significant effects on our financial statements. Each of these items involves estimates that require us to make subjective judgments. We rely on our experience, collect historical and current market data, and develop relevant assumptions to arrive at what we believe to be reasonable estimates. Under different conditions or assumptions, materially different amounts could be reported related to the critical accounting policies described below. In addition, application of these critical accounting policies involves the exercise of judgment on the use of assumptions as to future uncertainties and, as a result, actual results could materially differ from these estimates. See Note 2 to Item 8 of this Annual Report on Form 10-K for more information regarding our accounting policies and recent accounting developments. Our accounting estimates include the following:

Credit Losses:

Losses from Rent Receivables*:* For all leases, we continuously monitor the performance of our existing tenants including, but not limited to: admission levels and surgery/procedure volumes by type; current operating margins; ratio of our tenants' operating margins both to facility rent and to facility rent plus other fixed costs; trends in revenue, cash collections, patient mix; and the effect of evolving healthcare regulations on tenants' profitability and liquidity.

Losses from Operating Lease Receivables: We utilize the information above along with the tenants' payment and default history in evaluating (on a property-by-property basis) whether or not a provision for losses on outstanding billed rent and/or straight-line rent receivables is needed. A provision for losses on rent receivables (including straight-line rent receivables) is ultimately recorded when it becomes probable that the receivable will not be collected in full. The provision is an amount which reduces the receivable to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from existing collateral, if any.

Losses on Financing Lease Receivables: Allowances are established for financing lease receivables based upon an estimate of probable losses on a property-by-property basis. Such receivables are impaired when it is deemed probable that we will be unable to collect all amounts due in accordance with the contractual terms of the lease. Like operating lease receivables, the need for an allowance is based upon our assessment of the lessee's overall financial condition; economic resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. These estimates consider all available evidence including the expected future cash flows discounted at the effective interest rate of the financing lease, fair value of collateral, and other relevant factors, as appropriate. Financing leases are placed on non-accrual status when we determine that the collectability of contractual amounts is not reasonably assured. If on non-accrual status, we generally account for the financing lease on a cash basis, in which income is recognized only upon receipt of cash.

Loans: Loans consist of mortgage loans, working capital loans, and other long-term loans. Mortgage loans are collateralized by interests in real property. Working capital and other long-term loans are generally collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. We evaluate the collectability of both interest and principal on a loan-by-loan basis (using the same process as we do for assessing the collectability of rents as discussed above) to determine whether they are impaired. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the loan's effective interest rate or to the fair value of the collateral, if the loan is collateral dependent.

Investments in Real Estate: We maintain our investments in real estate at cost, and we capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. While our tenants are generally responsible for all operating costs at a facility, to the extent that we incur costs of repairs and maintenance, we expense those costs as incurred. We compute depreciation using the straight-line method over the weighted-average useful life of approximately 39.0 years for buildings and improvements.

When circumstances indicate a possible impairment of the value of our real estate investments, we review the recoverability of the facility's carrying value. The review of the recoverability is generally based on our estimate of the future undiscounted cash flows from the facility's use and eventual disposition. Our forecast of these cash flows considers factors such as expected future operating income, market and other applicable trends, and residual value, as well as the effects of leasing demand, competition, and other factors. If impairment exists due to the inability to recover the carrying value of a facility on an undiscounted basis, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the facility. We do not believe that the value of any of our facilities was impaired at December 31, 2019; however, given the highly specialized aspects of our properties no assurance can be given that future impairment charges will not be taken.

Acquired Real Estate Purchase Price Allocation: For properties acquired for leasing purpose, we currently account for such acquisition based on asset acquisition accounting rules. Under this accounting method, we allocate the purchase price of acquired properties to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair value for purposes of allocating purchase prices of acquired real estate, we may utilize a number of sources, including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, and other market data. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

We record above-market and below-market in-place lease values, if any, for the facilities we own which are based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over lease term. We amortize any resulting capitalized below-market lease values as an increase to rental income over the lease term. Because our strategy to a large degree involves the origination and acquisition of long-term lease arrangements at market rates with independent parties, we do not expect the above-market and below-market in-place lease values to be significant for many of our transactions.

We measure the aggregate value of other lease intangible assets to be acquired based on the difference between (i) the property valued with new or in-place leases adjusted to market rental rates and (ii) the property valued as if vacant when acquired. Management's estimates of value are made using methods similar to those used by independent appraisers (*e.g.*, discounted cash flow analysis). Factors considered by management in our analysis include an estimate of carrying costs during hypothetical expected lease-up periods, considering current market conditions, and costs to execute similar leases. We also consider information obtained about each targeted facility as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which we expect to be about six months (based on experience) depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal costs, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

Other intangible assets acquired may include customer relationship intangible values, which are based on management's evaluation of the specific characteristics of each prospective tenant's lease and our overall relationship with that tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality, and expectations of lease renewals, including those existing under the terms of the lease agreement, among other factors. At December 31, 2019, we have assigned no value to customer relationship intangibles.

We amortize the value of lease intangibles to expense over the term of the respective leases, which have a weighted-average useful life of 23.7 years at December 31, 2019. If a lease is terminated early, the unamortized portion of the lease intangible is charged to expense.

Principles of Consolidation: Property holding entities and other subsidiaries of which we own 100% of the equity or have a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which we own less than 100% of the equity interest, we consolidate the property if we have the direct or indirect ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, we record a non-controlling interest representing equity held by non-controlling interests.

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity. If we determine that we have a variable interest in a variable interest entity, we then evaluate if we are the primary beneficiary of the variable interest entity. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. We consolidate each variable interest entity in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary. At December 31, 2019 and 2018, we determined that we were not the primary beneficiary of any variable interest entity in which we hold a variable interest because we do not control the activities (such as the day-to-day operations) that most significantly impact the economic performance of these entities.

Disclosure of Contractual Obligations

The following table summarizes known material contractual obligations (including interest) as of December 31, 2019, excluding the impact of subsequent events (amounts in thousands):

Contractual Obligations	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
4.000% Senior Unsecured Notes due 2022(1)	$ 22,426	$ 605,502	$ —	$ —	$ 627,928
2.550% Senior Unsecured Notes due 2023(1)	13,522	27,044	543,802	—	584,368
5.500% Senior Unsecured Notes due 2024	16,500	33,000	324,750	—	374,250
6.375% Senior Unsecured Notes due 2024	31,875	63,750	547,813	—	643,438
3.325% Senior Unsecured Notes due 2025(1)	18,642	37,283	37,283	579,292	672,500
5.250% Senior Unsecured Notes due 2026	26,250	52,500	52,500	552,500	683,750
5.000% Senior Unsecured Notes due 2027	70,000	140,000	140,000	1,610,000	1,960,000
3.692% Senior Unsecured Notes due 2028(1)	14,683	58,734	58,734	912,888	1,045,039
4.625% Senior Unsecured Notes due 2029	42,203	83,250	83,250	1,108,125	1,316,828
Revolving credit facility(2)	3,250	271	—	—	3,521
Term loan	6,710	207,278	—	—	213,988
Australian term loan facility(3)	20,698	41,284	871,305	—	933,287
Operating lease commitments(4)	6,772	13,215	12,168	179,983	212,138
Purchase obligations(5)	2,162,535	99,728	70,214	175,535	2,508,012
Totals	$ 2,456,066	$ 1,462,839	$ 2,741,819	$ 5,118,323	$ 11,779,047

(1) Our 4.000% Senior Unsecured Notes due 2022 and 3.325% Senior Unsecured Notes due 2025 are euro-denominated. Our 2.550% Senior Unsecured Notes due 2023 and 3.692% Senior Unsecured Notes due 2028 are British pound-denominated. We used the exchange rate at December 31, 2019 (1.1213 for euros and 1.3257 for British pounds) in preparing this table.

(2) As of December 31, 2019, we have a $1.3 billion revolving credit facility. This table assumes the balance outstanding under the revolver and rate in effect at December 31, 2019 (which was $0 million as of December 31, 2019) remains in effect through maturity.

(3) This note is Australian dollar-denominated and reflects the exchange rate of 0.7021 at December 31, 2019.

(4) Most of our contractual obligations to make operating lease payments are related to ground leases for which we are reimbursed by our tenants along with corporate office and equipment leases.

(5) Includes approximately $41.7 million of future expenditures related to development projects, a £1.5 billion commitment to acquire 30 Circle facilities post December 31, 2019, and future expenditures on commenced capital improvement projects. We have excluded from the table above $16.8 million of capital expenditure commitments in our leases that we are not definitive on the amount, timing, and certainty of funding. However, payment on any of these commitments, if made, would be added to the lease base upon which the lessee will pay us rents.

Off-Balance Sheet Arrangements

We own interests in certain unconsolidated joint ventures as described under Note 3 to Item 8 of this Annual Report on Form 10-K. Except in limited circumstances, our risk of loss is limited to our investment in the joint venture and any outstanding receivables. We have no other material off-balance sheet arrangements that we expect would materially affect our liquidity and capital resources, except those described above under “Disclosure of Contractual Obligations”.

Liquidity and Capital Resources

2019 Cash Flow Activity

We generated cash of $494.1 million from operating activities during 2019, primarily consisting of rent and interest from mortgage and other loans. We used these operating cash flows along with cash on-hand to fund our dividends of $412 million and certain investing activities including the additional funding of our development activities.

In regards to other investing and financing activities in 2019, we did the following:

a) Purchased $4.5 billion in real estate assets representing over 80 facilities across seven countries;

b) Funded approximately $377.0 million of development, capital addition, and other projects;

c) In 2019, we sold 36.1 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately $650 million;

d) On June 3, 2019, we received proceeds from an Australian term loan facility of approximately $837 million to help fund the Healthscope acquisition;

e) On July 18, 2019, we completed an underwritten public offering of 51.75 million shares, resulting in net proceeds of $858 million;

f) On July 26, 2019, we completed a $900 million senior unsecured notes offering resulting in net proceeds of approximately $885 million;

g) In 2019, we sold five facilities generating net proceeds of $97 million and a gain of $41.6 million;

h) On November 8, 2019, we completed an underwritten public offering of 57.5 million shares of our common stock, resulting in net proceeds of $1.026 billion;

i) On December 5, 2019, we completed a £400 million and £600 million unsecured notes offering resulting in net proceeds of approximately £993 million, of which £367 million was used to pay down our balance on the revolving credit facility; and

j) On December 27, 2019, we established a new at-the-market equity program, giving us the ability to sell up to $1.0 billion of stock.

As noted previously, we acquired 30 acute care hospital facilities located in the United Kingdom for £1.5 billion on January 8, 2020. This acquisition was funded using proceeds from the December 2019 Sterling bond offering along with proceeds from a £700 million term loan entered into in January 2020.

2018 Cash Flow Activity

We generated cash of $449.1 million from operating activities during 2018, primarily consisting of rent and interest from mortgage and other loans. We used these operating cash flows along with cash on-hand to fund our dividends of $364 million and certain investing activities including the additional funding of our development activities.

In regards to other investing and financing activities in 2018, we did the following:

a) In 2018, we generated more than $2 billion of cash proceeds from the joint venture transaction with Primotop (which included the disposal of 71 inpatient rehabilitation hospitals in Germany and issuance of secured debt) and the sale of five other acute care and long-term acute care properties. Approximately $580 million was reinvested in the joint venture with Primotop in the form of an equity interest and shareholder loan;

b) On August 31, 2018, we funded the acquisition of one property in Pasco, Washington for $17.5 million;

c) On August 28, 2018, we funded the acquisition of three properties in Germany for €17.3 million;

d) Originated $212 million in mortgage and other loans;

e) Funded less than $200 million for development and capital improvement projects;

f) Acquired five facilities operated by Steward by converting the $764.4 million in mortgage loans on the same properties plus cash consideration;

g) We used the net cash received from property disposals to reduce our revolver by approximately $810 million;

h) On October 4, 2018, we finalized our recapitalization agreement with Ernest generating $176.3 million (which included the sale of our equity investment in Ernest and repayment in full of non-mortgage loans outstanding plus accrued interest); and

i) In the fourth quarter of 2018, we sold 5.6 million shares of common stock under our at-the-market equity program generating approximately $95 million.

2017 Cash Flow Activity

We generated cash of $362 million from operating activities during 2017, primarily consisting of rent and interest from mortgage and other loans. We used these operating cash flows along with cash on-hand to fund our dividends of $326.7 million and certain investing activities including the additional funding of our development activities.

In regards to other investing and financing activities in 2017, we did the following:

a) On February 1, 2017, we replaced our previous unsecured credit facility with a new credit facility (“Credit Facility”) resulting in a $50 million reduction in our U.S. dollar term loan and a new €200 million unsecured term loan facility (which was paid off on March 30, 2017).

b) On March 4, 2017, we redeemed our €200 million aggregate principal amount of our 5.750% Senior Unsecured Notes due 2020. We funded this redemption, including the premium and accrued interest, with proceeds from the new €200 million term loan together with cash on hand.

c) On March 24, 2017, we completed a senior unsecured notes offering for €500 million. We used the net proceeds from this offering to prepay and extinguish the new €200 million term loan with the remainder of the proceeds used to acquire 12 facilities leased to MEDIAN for €146.4 million.

d) On March 31, 2017, we sold the EASTAR Health System real estate located in Muskogee, Oklahoma, which was leased to LifePoint. Total proceeds from this transaction were approximately $64 million resulting in a gain of $7.4 million.

e) On May 1, 2017, we completed an underwritten public offering of approximately 43.1 million shares of our common stock, resulting in net proceeds of approximately $548 million. We used a portion of these proceeds to acquire eight facilities for $301.3 million (leased to Steward), a facility in Idaho for $87.5 million (leased to LifePoint) and two other facilities for $40 million (leased to Alecto Healthcare Services LLC (“Alecto”)).

f) On September 7, 2017, we completed a senior unsecured notes offering for $1.4 billion. We used a portion of the net proceeds from the 5.000% Senior Unsecured Notes due 2027 offering to redeem the $350 million aggregate principal amount of our 6.375% Senior Unsecured Notes due 2022, plus a redemption premium, on October 7, 2017. The remaining proceeds, plus borrowings on our revolving credit facility, were used to acquire nine facilities and ancillary properties leased to Steward for $700 million, to make mortgage loans on two properties for $700 million, and to make a $100 million equity investment in Steward.

g) On September 29, 2017, we prepaid the principal amount of the mortgage loan on our property in Kansas City, Missouri at par in the amount of $12.9 million. To fund such prepayment, including accrued and unpaid interest thereon, we used borrowings from the revolving credit facility.

Debt Restrictions and REIT Requirements

Our debt facilities impose certain restrictions on us, including, but not limited to, restrictions on our ability to: incur debt; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem, or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreement governing our Credit Facility limits the amount of dividends we can pay to 95% of NAFFO, as defined in the agreements, on a rolling four quarter basis. The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of funds from operations, proceeds of equity issuances, and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the Credit Facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, secured leverage ratio, unsecured leverage ratio, consolidated adjusted net worth, and unsecured interest coverage ratio. This facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations, and failure to comply with our covenants. If an event of default occurs and is continuing under the facility, the entire outstanding balance may become immediately due and payable. At December 31, 2019, we were in compliance with all such financial and operating covenants.

In order for us to continue to qualify as a REIT we are required to distribute annual dividends equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. See section titled “Distribution Policy” within this Item 7 of this Annual Report on Form 10-K for further information on our dividend policy along with the historical dividends paid on a per share basis.

Short-term Liquidity Requirements:

As of February 21, 2020, we have no debt principal payments due in 2020 — see debt maturity schedule below. At February 21, 2020 (and after the funding of our £1.5 billion acquisition in January 2020), our availability under our revolving credit facility plus cash on-hand approximated $1.6 billion. We believe this liquidity along with our current monthly cash receipts from rent and loan interest, regular distributions from our joint venture arrangements, and availability under our at-the-market equity program is sufficient to fund our operations, debt and interest obligations, our firm commitments, and dividends in order to comply with REIT requirements for the next twelve months.

Long-term Liquidity Requirements:

As of February 21, 2020, we have no debt principal payments due between now and February 2022 when our term loan, with a current outstanding amount of $200 million, comes due. With our liquidity as of February 21, 2020 of approximately $1.6 billion, along with our current monthly cash receipts from rent and loan interest, regular distributions from our joint venture arrangements, and availability under our at-the-market equity program, we believe such liquidity is sufficient to fund our operations, debt and interest obligations, our firm commitments, and dividends in order to comply with REIT requirements for the foreseeable future.

However, in order to fund additional investments, to fund debt maturities coming due in later years, or to strategically refinance any existing debt (including our Credit Facility coming due in 2022) in order to reduce interest rates, we may need to access one or a combination of the following sources of capital:

- issuance of new USD, EUR, or GBP denominated debt securities, including senior unsecured notes;
- sale of equity securities;
- amending or entering into a new revolving credit facility and/or bank term loans;
- placing new secured loans on real estate located outside the U.S.; and/or
- proceeds from strategic property sales.

However, there is no assurance that conditions will be favorable for such possible transactions or that our plans will be successful.

Principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) as of February 21, 2020 (which includes the new £700 million term loan to fund the Circle transaction on January 8, 2020) are as follows ($ amounts in thousands):

2020	$	—
2021		—
2022		742,350
2023		518,560
2024		1,595,240
Thereafter		5,027,670
Total	$	7,883,820

Results of Operations

Our operating results may vary significantly from year-to-year due to a variety of reasons including acquisitions made during the year, incremental revenues and expenses from acquisitions made in the prior year, revenues and expenses from completed development properties, property disposals, annual escalation provisions, foreign currency exchange rate changes, new or amended debt agreements, issuances of shares through an equity offering, impact from accounting changes, etc. Thus, our operating results for the current year are not necessarily indicative of the results that may be expected in future years.

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

Net income for the year ended December 31, 2019, was $374.7 million compared to net income of $1.02 billion for the year ended December 31, 2018. This decrease is primarily due to the approximate $720 million of gains on the sales of real estate recognized in 2018 from the disposal of five properties in the U.S. and the joint venture transaction with Primotop described in Note 3 to Item 1 of this Annual Report on Form 10-K. This decrease is partially offset by approximately $70 million more in revenues from new investments in 2019. FFO, after adjusting for certain items (as more fully described in the section titled “Non-GAAP Financial Measures” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of this Annual Report on Form 10-K), was $557.4 million, or $1.30 per diluted share for 2019, as compared to $501.0 million, or $1.37 per diluted share, for 2018. This increase in FFO dollars is primarily due to incremental revenue from new investments in 2019, while FFO per share is lower due to approximately 145 million of new shares issued to fund new investments in 2019.

A comparison of revenues for the years ended December 31, 2019 and 2018 is as follows (dollar amounts in thousands):

	2019		2018		Change
Rent billed	$ 474,151	55.6%	$ 473,343	60.3%	$ 808
Straight-line rent	110,456	12.9%	74,741	9.5%	35,715
Income from financing leases	119,617	14.0%	73,983	9.5%	45,634
Interest and other income	149,973	17.5%	162,455	20.7%	(12,482)
Total revenues	$ 854,197	100.0%	$ 784,522	100.0%	$ 69,675

Our total revenues for 2019 are up $69.7 million or 9% over the prior year. This increase is made up of the following:

- Operating lease revenue (including rent billed and straight-line rent) — up $36.5 million over the prior year of which $54.8 million of additional lease revenue is related to the conversion of five Steward mortgage loans to fee simple assets in 2018, and approximately $68.7 million of incremental revenue from acquisitions ($30.0 million of which relates to Healthscope). This increase is partially offset by a net $82.8 million of lower revenues due to property dispositions in 2018 (majority of which relates to the formation of the Primotop joint venture in the 2018 third quarter) and approximately $5.7 million from unfavorable foreign currency fluctuations.

- Income from financing leases — up $45.6 million over the prior year due to $50 million of revenue from the Prospect acquisition in the 2019 third quarter, partially offset by approximately $5 million loss of revenue on two Alecto properties that closed during 2019. See Note 3 to Item 8 of this Annual Report on Form 10-K for more details.
- Interest and other income — down $12.5 million from the prior year due to the following:
  - Interest from loans — down $26.2 million over the prior year of which $35.6 million is the result of lower interest revenue related to Steward mortgage loans converted to fee simple assets in 2018 and $13.3 million is from the payoff of our Ernest acquisition and other loans in the fourth quarter of 2018. This decrease is partially offset by $18.6 million of incremental interest revenue earned on loan investments, including $10.9 million from the Primotop joint venture shareholder loan made in August 2018 and $4.4 million related to Prospect loans made in 2019.
  - Other income — up $13.7 million due to the implementation of the lease accounting standard on January 1, 2019, whereby we are now reflecting certain payments made by our tenants, including ground lease payments and reimbursements of property taxes and insurance, as revenue. This revenue is offset by a corresponding expense in the "Property-related" line on the consolidated statements of net income.

Interest expense for 2019 and 2018 totaled $237.8 million and $223.3 million, respectively. This increase is primarily related to new debt issuances in 2019 including the £1 billion senior unsecured notes issued in December 2019, the $900 million of senior unsecured notes issued in July 2019, and the AUD $1.2 billion term loan funded in June 2019. In addition, we incurred $6.1 million of bridge loan fees and accelerated commitment fee amortization expense associated with our Australian and GBP term loan facilities in 2019. These increases were partially offset by lower interest in 2019 from the paydown of our revolver, in addition to a reduction in our weighted-average interest rate year-over-year from 4.55% in 2018 to 4.45% in 2019.

Real estate depreciation and amortization during 2019 increased to $152.3 million from $133.1 million in 2018 due to new investments made in 2018 and 2019 and the conversion of the five Steward mortgage loans to fee simple assets, partially offset by property sales in 2018.

Property-related expenses for 2019 increased $14.8 million compared to 2018. As noted above under the caption "Other income", this increase was primarily due to the grossing up of certain expenses (such as ground lease, property taxes, and insurance) as part of our implementation of the lease accounting standard on January 1, 2019.

General and administrative expenses in 2019 totaled $96.4 million, which is a $16.3 million increase from 2018. The majority of the increase relates to stock compensation expense from our performance-based awards. Given our strong performance in 2019 including a 39% total shareholder return and significant growth from $4.5 billion of new investments, certain performance awards were earned at maximum level, resulting in higher stock compensation expense in 2019.

During the year ended December 31, 2019, we sold five properties resulting in a total gain of $41.6 million. In addition, we made a $21 million adjustment to lower the carrying value of the real estate on certain vacant facilities in 2019– see Note 3 to Item 8 of this Annual Report on Form 10-K for further details. In 2018, we sold five properties in the U.S. and 71 properties as part of the joint venture transaction with Primotop resulting in a gain of $719.4 million. In addition, we made a $48 million adjustment to lower the carrying value of the real estate to fair value on seven of our transitioning Adeptus facilities and four of our Alecto facilities in 2018.

Earnings from equity interests was $16.1 million for 2019, up $1.9 million from 2018 due to our investment in the Primotop joint venture in the third quarter of 2018 and our investment in Infracore made at the end of the second quarter of 2019, partially offset by a lower return year-over-year in our Hoboken investment.

Income tax expense typically includes U.S. federal and state income taxes on our TRS entities, as well as non-U.S. income based or withholding taxes on certain investments located in jurisdictions outside the U.S. The $2.6 million income tax benefit for 2019 represents the benefit on losses incurred by our TRS during the year. The benefit is partially offset by tax expense on income generated by our international investments. In comparison, we incurred $0.9 million of income tax expense in 2018 from income generated by our international investments that was partially offset by $4.4 million of valuation allowances released related to U.S. federal and state deferred tax assets of our TRS.

We utilize the asset and liability method of accounting for income taxes. Deferred tax assets are recorded to the extent we believe these assets will more likely than not be realized. In making such determination, all available positive and negative evidence is considered, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based upon our review of all positive and negative evidence, including our three-year cumulative pre-tax book loss position in certain entities, we concluded that a full valuation allowance of $11.4 million should continue to be recorded against certain of our international and domestic net deferred tax assets at December 31, 2019. In the future, if we determine that it is more likely than not that we will realize our net deferred tax assets, we will reverse the applicable portion of the valuation allowance, recognize an income tax benefit in the period in which such determination is made, and incur higher income taxes in future periods as income is earned. For more detailed information, see Note 5 to Item 8 of this Annual Report on Form 10-K.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Net income for the year ended December 31, 2018, was $1.02 billion compared to net income of $289.8 million for the year ended December 31, 2017. This increase is primarily due to the approximate $720 million of gains on the sales of real estate recognized in 2018 from the disposal of five properties in the U.S. and the joint venture transaction with Primotop described in Note 3 to Item 1 of this Annual Report on Form 10-K. FFO, after adjusting for certain items (as more fully described in the section titled “Non-GAAP Financial Measures” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 of this Annual Report on Form 10-K), was $501.0 million, or $1.37 per diluted share for 2018 as compared to $474.9 million, or $1.35 per diluted share for 2017. This 5.5% increase in FFO dollars is primarily due to the increase in revenue from acquisitions and completed development projects during 2018 and 2017.

A comparison of revenues for the years ended December 31, 2018 and 2017 is as follows (dollar amounts in thousands):

	2018		2017		Change
Rent billed	$ 473,343	60.3%	$ 435,782	61.8%	$ 37,561
Straight-line rent	74,741	9.5%	65,468	9.3%	9,273
Income from financing leases	73,983	9.5%	74,495	10.6%	(512)
Interest and other income	162,455	20.7%	129,000	18.3%	33,455
Total revenues	$ 784,522	100.0%	$ 704,745	100.0%	$ 79,777

Our total revenues for 2018 are up $79.8 million or 11.3% over the prior year. This increase is made up of the following:

- Operating lease revenue (including rent billed and straight-line rent) — up $46.8 million over the prior year of which $60 million is incremental revenue from acquisitions primarily due to the Steward and MEDIAN acquisitions in 2017 and 2018, $24.6 million is from rent recorded on the new Steward leases that converted from mortgage loans in 2018, $11 million is incremental revenue from capital additions, $3.7 million is incremental revenue from development properties that were placed in service, and approximately $5.8 million is from favorable foreign currency fluctuations. These increases are partially offset by approximately $31.4 million of lower revenue as 71 revenue producing properties were contributed to the joint venture transaction with Primotop on August 31, 2018, along with approximately $16 million of lower revenue and approximately $11.2 million of higher straight-line rent write-offs in 2018 associated with other disposals and loss of revenue from certain properties vacated during 2018 - see Note 3 to Item 8 of this Annual Report on Form 10-K for additional information.
- Income from financing leases — down $0.5 million over the prior year, of which $1.2 million is from net revenue earned in 2017 but not in 2018 on the Boise lease that converted from DFL to operating lease accounting classification upon execution of the new lease with the Vibra/Ernest joint venture and by the write-off of $1.5 million of DFL unbilled interest associated with the same transaction. The impact was partially offset by $1.9 million of incremental revenue from acquisitions made in 2017 and $0.3 million is from annual escalations of rental rates in accordance with provisions in our leases.
- Interest and other income — up $33.5 million over the prior year of which $51.1 million is from incremental revenue from new loans (primarily the $700 million of Steward mortgage loans in 2017) and $0.7 million is from our annual escalations in interest rates in accordance with loan provisions. These increases are partially offset by $15.7 million of lower interest revenue related to certain Steward loans that were converted to fee simple assets in 2018 and $4.1 million of lower revenue related to the Ernest acquisition loan repayment discussed in Note 3 to Item 8 of this Annual Report on Form 10-K.

Interest expense for 2018 and 2017 totaled $223.3 million and $177.0 million, respectively. Although our debt balance at December 31, 2018 is lower than the prior year with the paydown of our revolver from the proceeds of asset disposals, our average debt balance for 2018 was higher than 2017 due to the issuance of the $1.4 billion bonds in September 2017. Our weighted-average interest rate was 4.6% for 2018, consistent with 4.6% in 2017. See Note 4 in Item 8 to this Annual Report on Form 10-K for further information on our debt activities.

Real estate depreciation and amortization during 2018 was $133.1 million compared to $125.1 million in 2017 primarily due to the incremental depreciation/amortization from the facilities acquired (particularly the Steward and MEDIAN facilities acquired in 2017) and the development properties completed in 2017 and 2018.

Property expenses for 2018 increased $3.4 million compared to 2017 primarily due to the growth of our business internationally along with expense from certain properties vacated during 2018. See Note 3 to Item 8 of this Annual Report on Form 10-K for more details, including the successful re-tenanting of many of these facilities.

General and administrative expenses in 2018 totaled $80.1 million, which is 10.2% of revenues, up from 8.3% of revenues in the prior year. General and administrative expenses as a percentage of revenues was higher during 2018 due to our adoption of ASU 2017-01, as more fully explained in Note 2 to Item 8 of this Annual Report on Form 10-K and the impact on revenues from the joint venture transaction with Primotop on August 31, 2018. Excluding the $6.2 million of higher expense due to the accounting change and adjusting for the revenues included in joint ventures, general and administrative expenses represented 9.0% of adjusted revenues in 2018. On a dollar basis (exclusive of the accounting change impact), general and administrative expenses were up $15.3 million from the prior year due to travel, compensation expenses, and costs associated with expanding our team at our European office, which are all up as a result of the growth and expansion of our company.

Acquisition costs decreased from $29.6 million in 2017 to $0.9 million in 2018. The acquisition costs in 2017 primarily related to real estate transfer taxes on the MEDIAN acquisition. Beginning in 2018, all third party transaction costs directly related to acquisitions are now capitalized due to the adoption of ASU 2017-01. However, we did incur $0.9 million in the current period related to the settlement of contingencies involving acquisitions that occurred prior to the adoption of ASU 2017-01.

During the year ended December 31, 2018, we sold one acute care property (operated by Steward), three long-term acute care properties (operated by Vibra), 71 inpatient rehabilitation hospitals (operated by MEDIAN) by way of a joint venture arrangement, and one general acute care hospital located in Texas (operated by North Cypress), resulting in a total net gain of $719.4 million. During the year ended December 31, 2017, we sold one LifePoint property resulting in a $7.4 million gain.

In 2018, we had a $48 million adjustment to lower the carrying value of the real estate to fair value on seven of our transitioning Adeptus facilities and four of our Alecto facilities – see Note 3 to Item 8 of this Annual Report on Form 10-K for further details. We did not have any impairment charges in 2017.

During 2017, we incurred $32.6 million of debt refinancing charges related to the replacement of our credit facility, the payoff of our €200 million term loan, the payoff of our €200 million euro bonds, the prepayment of our $350 million senior unsecured notes, and structuring and underwriting fees associated with the termination of the short-term loan commitment we made in anticipation of the Steward transaction in 2017. We did not have any similar charges during the year ended December 31, 2018.

Other income (including our earnings from equity interests) was $10.1 million in 2018, which was basically flat with 2017.

We recognize income tax expense related to our TRS and the local, state, and foreign jurisdictions in which we operate. Income tax expense for 2018 was $0.9 million as compared to $2.7 million for 2017. The decrease in tax expense is primarily due to the release of $4.4 million in valuation allowances previously recorded on our federal and state deferred tax assets at our TRS. The tax benefit from the valuation allowance release was partially offset by increases in income tax expense on earnings from our foreign investments. For more detailed information, see Note 5 to Item 8 of this Annual Report on Form 10-K.

Non-GAAP Financial Measures

We consider non-GAAP financial measures to be useful supplemental measures of our operating performance. A non-GAAP financial measure is a measure of financial performance, financial position, or cash flows that excludes or includes amounts that are not so excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP. Described below are the non-GAAP financial measures used by management to evaluate our operating performance and that we consider most useful to investors, together with reconciliations of these measures to the most directly comparable GAAP measures.

Funds From Operations and Normalized Funds From Operations

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation and amortization of real estate assets, which assumes that the value of real estate diminishes predictably over time. We compute FFO in accordance with the definition provided by the National Association of Real Estate Investment Trusts, or Nareit, which represents net income (loss) (computed in accordance with GAAP), excluding gains (losses) on sales of real estate and impairment charges on real estate assets, plus real estate depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

In addition to presenting FFO in accordance with the Nareit definition, we also disclose normalized FFO, which adjusts FFO for items that relate to unanticipated or non-core events or activities or accounting changes that, if not noted, would make comparison to prior period results and market expectations potentially less meaningful to investors and analysts.

We believe that the use of FFO, combined with the required GAAP presentations, improves the understanding of our operating results among investors and the use of normalized FFO makes comparisons of our operating results with prior periods and other companies more meaningful. While FFO and normalized FFO are relevant and widely used supplemental measures of operating and financial performance of REITs, they should not be viewed as a substitute measure of our operating performance since the measures do not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which can be significant economic costs that could materially impact our results of operations. FFO and normalized FFO should not be considered an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO and normalized FFO for the years ended December 31, 2019, 2018, 2017, 2016, and 2015, ($ amounts in thousands except per share data):

	For the Year Ended December 31,				
	2019	2018	2017	2016	2015
FFO Information					
Net income attributable to MPT common stockholders	$ 374,684	$ 1,016,685	$ 289,793	$ 225,048	$ 139,598
Participating securities’ share in earnings	(2,308)	(3,685)	(1,409)	(559)	(1,029)
Net income, less participating securities’ share in earnings	$ 372,376	$ 1,013,000	$ 288,384	$ 224,489	$ 138,569
Depreciation and amortization	183,921	143,720	127,559	96,157	69,867
Gain on sale of real estate	(41,560)	(719,392)	(7,431)	(67,168)	(3,268)
Real estate impairment charges	21,031	48,007	—	—	—
Funds from operations	$ 535,768	$ 485,335	$ 408,512	$ 253,478	$ 205,168
Write-off of straight-line rent and other	15,539	18,002	5,340	3,063	3,928
Debt refinancing and unutilized financing costs	6,106	—	32,574	22,539	4,367
Release of income tax valuation allowance	—	(4,405)	—	(3,956)	—
Acquisition and other transaction costs, net of tax benefit	—	2,072	28,453	52,473	61,342
Non-real estate impairment charges	—	—	—	7,229	—
Normalized funds from operations	$ 557,413	$ 501,004	$ 474,879	$ 334,826	$ 274,805
Per diluted share data					
Net income, less participating securities’ share in earnings	$ 0.87	$ 2.76	$ 0.82	$ 0.86	$ 0.63
Depreciation and amortization	0.43	0.39	0.37	0.37	0.32
Gain on sale of real estate	(0.10)	(1.96)	(0.02)	(0.26)	(0.01)
Real estate impairment charges	0.05	0.13	—	—	—
Funds from operations	$ 1.25	$ 1.32	$ 1.17	$ 0.97	$ 0.94
Write-off of straight-line rent and other	0.04	0.05	0.01	0.01	0.02
Debt refinancing and unutilized financing costs	0.01	—	0.09	0.09	0.02
Release of income tax valuation allowance	—	(0.01)	—	(0.02)	—
Acquisition and other transaction costs, net of tax benefit	—	0.01	0.08	0.20	0.28
Non-real estate impairment charges	—	—	—	0.03	—
Normalized funds from operations	$ 1.30	$ 1.37	$ 1.35	$ 1.28	$ 1.26

Total Pro Forma Gross Assets

Pro forma gross assets is total assets before accumulated depreciation/amortization (adjusted for our unconsolidated joint ventures) and assumes all real estate binding commitments on new investments and unfunded amounts on development deals and commenced capital improvement projects as of the applicable reporting periods are fully funded, and assumes cash on hand is used in these transactions. We believe total pro forma gross assets is useful to investors as it provides a more current view of our portfolio and allows for a better understanding of our concentration levels as our binding commitments close and our other commitments are fully funded. The following table presents a reconciliation of total assets to total pro forma gross assets (in thousands):

	As of December 31, 2019	As of December 31, 2018
Total Assets	$ 14,467,331	$ 8,843,643
Add:		
Binding real estate commitments on new investments(1)	1,988,550	6,596
Unfunded amounts on development deals and commenced capital improvement projects(2)	163,370	229,979
Accumulated depreciation and amortization	570,042	464,984
Incremental gross assets of our joint ventures(3)	563,911	375,544
Proceeds from new £700 million 5-year term loan effective January 6, 2020	927,990	—
Less:		
Cash used for funding the transactions above (including proceeds from the £700 million term loan in 2020)	(2,151,920)	(236,575)
Total Gross Assets	$ 16,529,274	$ 9,684,171
Australian commitment, net of cash(4)	—	374,276
Total Pro Forma Gross Assets	$ 16,529,274	$ 10,058,447

(1) The 2019 column reflects the acquisition of 30 facilities in the United Kingdom on January 8, 2020. The 2018 column reflects our commitment to acquire a facility in Germany post December 31, 2018.
(2) Includes $41.7 million and $94.1 million of unfunded amounts on ongoing development projects and $121.7 million and $135.9 million of unfunded amounts on capital improvement projects and development projects that have commenced rent, as of December 31, 2019 and 2018, respectively.
(3) Adjustment needed to reflect our share of our joint ventures' gross assets.
(4) The 2018 column reflects our commitment made on January 31, 2019 to acquire 11 facilities in Australia for approximately $860 million less cash available at December 31, 2018.

Adjusted Revenues

Adjusted revenues are total revenues adjusted for our pro rata portion of similar revenues in our joint venture arrangements. We believe adjusted revenue is useful to investors as it provides a more complete view of revenue across all of our investments and allows for better understanding of our revenue concentration. The following table presents a reconciliation of total revenues to total adjusted revenues (in thousands):

	For the Year Ended December 31, 2019
Total revenues	$ 854,197
Revenue from real estate properties owned through joint venture arrangements	83,962
Total adjusted revenues	$ 938,159

Distribution Policy

We have elected to be taxed as a REIT commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT taxable income, excluding net capital gain, to our stockholders. It is our current intention to comply with these requirements and maintain such status going forward.

The table below is a summary of our distributions declared for the three-year period ended December 31, 2019:

Declaration Date	Record Date	Date of Distribution	Distribution per Share	
November 21, 2019	December 12, 2019	January 9, 2020	$	0.26
August 15, 2019	September 12, 2019	October 10, 2019	$	0.26
May 23, 2019	June 13, 2019	July 11, 2019	$	0.25
February 14, 2019	March 14, 2019	April 11, 2019	$	0.25
November 15, 2018	December 13, 2018	January 10, 2019	$	0.25
August 16, 2018	September 13, 2018	October 11, 2018	$	0.25
May 24, 2018	June 14, 2018	July 12, 2018	$	0.25
February 15, 2018	March 15, 2018	April 12, 2018	$	0.25
November 9, 2017	December 7, 2017	January 11, 2018	$	0.24
August 17, 2017	September 14, 2017	October 12, 2017	$	0.24
May 25, 2017	June 15, 2017	July 14, 2017	$	0.24
February 16, 2017	March 16, 2017	April 13, 2017	$	0.24

On February 14, 2020, we announced that our Board of Directors declared a regular quarterly cash dividend of $0.27 per share of common stock to be paid on April 9, 2020, to stockholders of record on March 12, 2020.

We intend to pay to our stockholders, within the time periods prescribed by the Code, all or substantially all of our annual REIT taxable income, including taxable gains from the sale of real estate and recognized gains on the sale of securities. It is our policy to make sufficient cash distributions to stockholders in order for us to maintain our status as a REIT under the Code and to avoid corporate income and excise taxes on undistributed income. However, our Credit Facility limits the amounts of dividends we can pay — see Note 4 to our consolidated financial statements in Item 8 to this Annual Report on Form 10-K for further information.

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices, and other market changes that affect market sensitive instruments. We seek to mitigate the effects of fluctuations in interest rates by matching the terms of new investments with new long-term fixed rate borrowings to the extent possible. We may or may not elect to use financial derivative instruments to hedge interest rate or foreign currency exposure. For interest rate hedging, these decisions are principally based on our policy to match our variable rate investments with comparable borrowings, but are also based on the general trend in interest rates at the applicable dates and our perception of the future volatility of interest rates. For foreign currency, these decisions are principally based on how our investments are financed, the long-term nature of our investments, the need to repatriate earnings back to the U.S., and the general trend in foreign currency exchange rates.

In addition, the value of our facilities will be subject to fluctuations based on changes in local and regional economic conditions and changes in the ability of our tenants to generate profits, all of which may affect our ability to refinance our debt, if necessary. The changes in the value of our facilities would be impacted also by changes in “cap” rates, which is measured by the current base rent divided by the current market value of a facility.

Our primary exposure to market risks relates to fluctuations in interest rates and foreign currency. The following analyses present the sensitivity of the market value, earnings, and cash flows of our significant financial instruments to hypothetical changes in interest rates and exchange rates as if these changes had occurred. The hypothetical changes chosen for these analyses reflect our view of changes that are reasonably possible over a one-year period. These forward looking disclosures are selective in nature and only address the potential impact from these hypothetical changes. They do not include other potential effects which could impact our business as a result of changes in market conditions. In addition, they do not include measures we may take to minimize our exposure, such as entering into future interest rate swaps to hedge against interest rate increases on our variable rate debt.

Interest Rate Sensitivity

For fixed rate debt, interest rate changes affect the fair market value but do not impact net income to common stockholders or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact net income to common stockholders and cash flows, assuming other factors are held constant. At December 31, 2019, our outstanding debt totaled $7.0 billion, which consisted of fixed-rate debt of $6.8 billion (after considering interest rate swaps in-place) and variable rate debt of $0.2 billion. If market interest rates increase by 1%, the fair value of our debt at December 31, 2019 would decrease by approximately $10.6 million. Changes in the fair value of our fixed rate debt will not have any impact on us unless we decided to repurchase the debt in the open market.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by $0.1 million per year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by $0.1 million per year. This assumes that the average amount outstanding under our variable rate debt for a year is $0.2 billion, the balance of our term loan at December 31, 2019.

Foreign Currency Sensitivity

With our investments in Germany, Spain, Italy, Portugal, the United Kingdom, Switzerland, and Australia, we are subject to fluctuations in the euro, British pound, Swiss franc and Australian dollar to U.S. dollar currency exchange rates. Although we generally deem investments in these countries to be of a long-term nature, are able to match any non-U.S. dollar borrowings with investments in such currencies, and historically have not needed to repatriate a material amount of earnings back to the U.S., increases or decreases in the value of the respective non-U.S. dollar currencies to U.S. dollar exchange rates may impact our financial condition and/or our results of operations. Based solely on our 2019 operating results, a 5% change to the following exchange rates would have impacted our net income and FFO by the amounts below (in thousands):

	Net Income Impact	FFO Impact
Euro (€)	$ 115	$ 1,400
British pound (£)	43	496
Swiss franc (CHF)	286	855
Australian dollar (AUD $)	543	1,517

ITEM 8. ***Financial Statements and Supplementary Data***

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Medical Properties Trust, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of net income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules listed in the index appearing under Item 15(a) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquired Real Estate Purchase Price Allocation

As described in Notes 2 and 3 to the consolidated financial statements, management allocates the purchase price of acquired properties to tangible and identified lease intangible assets based on their fair values. In 2019, the Company acquired a total of $2.6 billion of land, building, and intangible lease assets. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate to tangible and identified lease intangible assets, management utilizes information from a number of sources including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, other market data, and significant assumptions such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical lease-up periods.

The principal considerations for our determination that performing procedures relating to the acquired real estate purchase price allocations is a critical audit matter are (i) there was significant judgment by management when developing the fair value measurements and allocating the purchase price of the acquired properties to the tangible and lease intangible assets acquired, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating audit evidence relating to the fair value estimates, (ii) significant audit effort was required in evaluating the reasonableness of significant assumptions such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical expected lease-up periods used by management to estimate the fair value of each tangible and lease intangible asset component, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the reasonableness of the significant assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s acquired real estate purchase price allocations, including controls over the fair value of each tangible and lease intangible asset acquired. These procedures also included, among others, testing management’s process by evaluating the significant assumptions, including capitalization and discount rates, market rental rates, and carrying costs during the hypothetical lease-up periods; and the methodology used by management in developing the estimated fair values and allocations of the purchase price to the tangible and lease intangible assets acquired. Testing management’s process included using professionals with specialized skill and knowledge to assist in evaluating the valuation methodologies and significant assumptions used by management, such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical lease-up periods, for certain acquisitions. Evaluating the reasonableness of assumptions involved considering internal data from previous acquisitions, where relevant.

/s/ PricewaterhouseCoopers LLP
Birmingham, Alabama
February 26, 2020

We have served as the Company’s auditor since 2008.

Report of Independent Registered Public Accounting Firm

To the Partners of MPT Operating Partnership, L.P.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of MPT Operating Partnership, L.P. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of net income, of comprehensive income, of capital and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules listed in the index appearing under Item 15(a) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquired Real Estate Purchase Price Allocations

As described in Notes 2 and 3 to the consolidated financial statements, management allocates the purchase price of acquired properties to tangible and identified lease intangible assets based on their fair values. In 2019, the Company acquired a total of $2.6 billion of land, building, and intangible lease assets. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate to tangible and identified lease intangible assets, management utilizes information from a number of sources including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, other market data, and significant assumptions such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical lease-up periods.

The principal considerations for our determination that performing procedures relating to the acquired real estate purchase price allocations is a critical audit matter are (i) there was significant judgment by management when developing the fair value measurements and allocating the purchase price of the acquired properties to the tangible and lease intangible assets acquired, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating audit evidence relating to the fair value estimates, (ii) significant audit effort was required in evaluating the reasonableness of significant assumptions such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical expected lease-up periods used by management to estimate the fair value of each tangible and lease intangible asset component, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the reasonableness of the significant assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s acquired real estate purchase price allocations, including controls over the fair value of each tangible and lease intangible asset acquired. These procedures also included, among others, testing management’s process by evaluating the significant assumptions, including capitalization and discount rates, market rental rates, and carrying costs during the hypothetical lease-up periods; and the methodology used by management in developing the estimated fair values and allocations of the purchase price to the tangible and lease intangible assets acquired. Testing management’s process included using professionals with specialized skill and knowledge to assist in evaluating the valuation methodologies and significant assumptions used by management, such as capitalization and discount rates, market rental rates, and carrying costs during hypothetical lease-up periods, for certain acquisitions. Evaluating the reasonableness of assumptions involved considering internal data from previous acquisitions, where relevant.

/s/ PricewaterhouseCoopers LLP
Birmingham, Alabama
February 26, 2020

We have served as the Company’s auditor since 2008.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
	(Amounts in thousands, except for per share data)	
ASSETS		
Real estate assets		
Land	$ 1,017,402	$ 547,894
Buildings and improvements	6,295,084	4,233,255
Construction in progress	168,212	84,172
Intangible lease assets	622,056	403,138
Investment in financing leases	2,060,302	684,053
Mortgage loans	1,275,022	1,213,322
Gross investment in real estate assets	11,438,078	7,165,834
Accumulated depreciation	(504,651)	(414,331)
Accumulated amortization	(65,391)	(50,653)
Net investment in real estate assets	10,868,036	6,700,850
Cash and cash equivalents	1,462,286	820,868
Interest and rent receivables	31,357	25,855
Straight-line rent receivables	334,231	220,848
Equity investments	926,990	520,058
Other loans	544,832	373,198
Other assets	299,599	181,966
Total Assets	**$ 14,467,331**	**$ 8,843,643**
LIABILITIES AND EQUITY		
Liabilities		
Debt, net	$ 7,023,679	$ 4,037,389
Accounts payable and accrued expenses	291,489	204,325
Deferred revenue	16,098	13,467
Obligations to tenants and other lease liabilities	107,911	27,524
Total Liabilities	7,439,177	4,282,705
Commitments and Contingencies		
Equity		
Preferred stock, $0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, $0.001 par value. Authorized 750,000 shares; issued and outstanding — 517,522 shares at December 31, 2019 and 370,637 shares at December 31, 2018	518	371
Additional paid-in capital	7,008,199	4,442,948
Retained earnings	83,012	162,768
Accumulated other comprehensive loss	(62,905)	(58,202)
Treasury shares, at cost	(777)	(777)
Total Medical Properties Trust, Inc. stockholders' equity	7,028,047	4,547,108
Non-controlling interests	107	13,830
Total Equity	7,028,154	4,560,938
Total Liabilities and Equity	**$ 14,467,331**	**$ 8,843,643**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Net Income

	For the Years Ended December 31,		
	2019	2018	2017
	(Amounts in thousands, except for per share data)		
Revenues			
Rent billed	$ 474,151	$ 473,343	$ 435,782
Straight-line rent	110,456	74,741	65,468
Income from financing leases	119,617	73,983	74,495
Interest and other income	149,973	162,455	129,000
Total revenues	854,197	784,522	704,745
Expenses			
Interest	237,830	223,274	176,954
Real estate depreciation and amortization	152,313	133,083	125,106
Property-related	23,992	9,237	5,811
General and administrative	96,411	80,086	58,599
Acquisition costs	—	917	29,645
Total expenses	510,546	446,597	396,115
Other income (expense)			
Gain on sale of real estate and other	41,560	719,392	7,431
Impairment charges	(21,031)	(48,007)	—
Earnings from equity interests	16,051	14,165	10,058
Debt refinancing and unutilized financing costs	(6,106)	—	(32,574)
Other	(345)	(4,071)	374
Total other income (expense)	30,129	681,479	(14,711)
Income before income tax	373,780	1,019,404	293,919
Income tax benefit (expense)	2,621	(927)	(2,681)
Net income	376,401	1,018,477	291,238
Net income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)
Net income attributable to MPT common stockholders	**$ 374,684**	**$ 1,016,685**	**$ 289,793**
Earnings per share — basic			
Net income attributable to MPT common stockholders	**$ 0.87**	**$ 2.77**	**$ 0.82**
Weighted-average shares outstanding — basic	**427,075**	**365,364**	**349,902**
Earnings per share — diluted			
Net income attributable to MPT common stockholders	**$ 0.87**	**$ 2.76**	**$ 0.82**
Weighted-average shares outstanding — diluted	**428,299**	**366,271**	**350,441**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

(In thousands)	For the Years Ended December 31, 2019	2018	2017
Net income	$ 376,401	$ 1,018,477	$ 291,238
Other comprehensive income (loss):			
Unrealized loss on interest rate swap	(9,033)	(3,317)	—
Foreign currency translation gain (loss)	4,330	(28,836)	66,854
Total comprehensive income	371,698	986,324	358,092
Comprehensive income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)
Comprehensive income attributable to MPT common stockholders	$ 369,981	$ 984,532	$ 356,647

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Equity
For the Years Ended December 31, 2019, 2018 and 2017
(Amounts in thousands, except per share data)

	Preferred		Common							
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Shares	Non-Controlling Interests	Total Equity
Balance at December 31, 2016	—	$ —	320,514	$ 321	$ 3,775,336	$ (434,114)	$ (92,903)	$ (262)	$ 4,850	$ 3,253,228
Net income	—	—	—	—	—	289,793	—	—	1,445	291,238
Sale of non-controlling interests	—	—	—	—	—	—	—	—	10,000	10,000
Foreign currency translation gain	—	—	—	—	—	—	66,854	—	—	66,854
Stock vesting and amortization of stock-based compensation	—	—	785	—	9,949	—	—	—	—	9,949
Treasury shares acquired (41,270 shares)	—	—	—	—	—	—	—	(515)	—	(515)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(1,723)	(1,723)
Proceeds from offering (net of offering costs)	—	—	43,125	43	547,742	—	—	—	—	547,785
Dividends declared ($0.96 per common share)	—	—	—	—	—	(341,611)	—	—	—	(341,611)
Balance at December 31, 2017	—	$ —	364,424	$ 364	$ 4,333,027	$ (485,932)	$ (26,049)	$ (777)	$ 14,572	$ 3,835,205
Net income	—	—	—	—	—	1,016,685	—	—	1,792	1,018,477
Cumulative effect of change in accounting principles	—	—	—	—	—	1,938	—	—	—	1,938
Unrealized loss on interest rate swap	—	—	—	—	—	—	(3,317)	—	—	(3,317)
Foreign currency translation loss	—	—	—	—	—	—	(28,836)	—	—	(28,836)
Stock vesting and amortization of stock-based compensation	—	—	599	1	16,504	—	—	—	—	16,505
Redemption of MOP units	—	—	—	—	(816)	—	—	—	—	(816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(2,534)	(2,534)
Proceeds from offering (net of offering costs)	—	—	5,614	6	94,233	—	—	—	—	94,239
Dividends declared ($1.00 per common share)	—	—	—	—	—	(369,923)	—	—	—	(369,923)
Balance at December 31, 2018	—	$ —	370,637	$ 371	$ 4,442,948	$ 162,768	$ (58,202)	$ (777)	$ 13,830	$ 4,560,938
Net income	—	—	—	—	—	374,684	—	—	1,717	376,401
Unrealized loss on interest rate swap	—	—	—	—	—	—	(9,033)	—	—	(9,033)
Foreign currency translation gain	—	—	—	—	—	—	4,330	—	—	4,330
Stock vesting and amortization of stock-based compensation	—	—	1,536	2	32,186	—	—	—	—	32,188
Distributions to non-controlling interests, net	—	—	—	—	—	—	—	—	(15,440)	(15,440)
Proceeds from offering (net of offering costs)	—	—	145,349	145	2,533,065	—	—	—	—	2,533,210
Dividends declared ($1.02 per common share)	—	—	—	—	—	(454,440)	—	—	—	(454,440)
Balance at December 31, 2019	—	$ —	517,522	$ 518	$ 7,008,199	$ 83,012	$ (62,905)	$ (777)	$ 107	$ 7,028,154

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31,		
	2019	2018	2017
	(Amounts in thousands)		
Operating activities			
Net income	$ 376,401	$ 1,018,477	$ 291,238
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	156,575	141,492	131,979
Amortization of deferred financing costs and debt discount	8,881	7,363	6,521
Straight-line rent revenue and other	(138,806)	(100,594)	(80,741)
Share-based compensation	32,188	16,505	9,949
Gain from sale of real estate and other	(41,560)	(719,392)	(7,431)
Impairment charges	21,031	48,007	—
Straight-line rent and other write-off	15,539	18,002	5,340
Debt refinancing and unutilized financing costs	6,106	—	32,574
Other adjustments	4,637	(3,768)	(1,204)
Changes in:			
Interest and rent receivables	12,906	46,498	(21,116)
Other assets	(4,992)	(18,051)	(5,318)
Accounts payable and accrued expenses	39,630	(5,596)	2,494
Deferred revenue	5,581	145	(2,050)
Net cash provided by operating activities	494,117	449,088	362,235
Investing activities			
Cash paid for acquisitions and other related investments	(4,565,594)	(1,430,995)	(2,246,788)
Net proceeds from sale of real estate	111,766	1,513,666	64,362
Principal received on loans receivable	920	885,917	8,480
Investment in loans receivable	(54,088)	(212,002)	(19,338)
Construction in progress and other	(83,798)	(53,967)	(73,812)
Capital additions and other investments, net	(293,163)	(138,441)	(94,970)
Net cash (used for) provided by investing activities	(4,883,957)	564,178	(2,362,066)
Financing activities			
Proceeds from term debt, net of discount	3,048,424	759,735	2,355,280
Payments of term debt	—	—	(1,038,221)
Payment of deferred financing costs	(30,186)	—	(32,794)
Revolving credit facilities, net	(65,736)	(811,718)	550,415
Distributions paid	(411,697)	(363,906)	(326,729)
Lease deposits and other obligations to tenants	(12,260)	(20,606)	27,525
Proceeds from sale of common shares, net of offering costs	2,533,210	94,239	547,785
Other financing activities	(19,871)	(3,614)	(12,984)
Net cash provided by (used for) financing activities	5,041,884	(345,870)	2,070,277
Increase in cash, cash equivalents, and restricted cash for the year	652,044	667,396	70,446
Effect of exchange rate changes	(6,478)	(17,218)	16,920
Cash, cash equivalents, and restricted cash at beginning of year	822,425	172,247	84,881
Cash, cash equivalents, and restricted cash at end of year	**$ 1,467,991**	**$ 822,425**	**$ 172,247**
Interest paid, including capitalized interest of $3,936 in 2019, $1,480 in 2018, and $840 in 2017	$ 211,163	$ 221,779	$ 149,798
Supplemental schedule of non-cash financing activities:			
Dividends declared, unpaid	$ 138,161	$ 95,419	$ 89,403
Cash, cash equivalents, and restricted cash are comprised of the following:			
Beginning of period:			
Cash and cash equivalents	$ 820,868	$ 171,472	$ 83,240
Restricted cash, included in Other assets	1,557	775	1,641
	$ 822,425	$ 172,247	$ 84,881
End of period:			
Cash and cash equivalents	$ 1,462,286	$ 820,868	$ 171,472
Restricted cash, included in Other assets	5,705	1,557	775
	$ 1,467,991	$ 822,425	$ 172,247

See accompanying notes to consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
	(Amounts in thousands, except for per unit data)	
ASSETS		
Real estate assets		
Land	$ 1,017,402	$ 547,894
Buildings and improvements	6,295,084	4,233,255
Construction in progress	168,212	84,172
Intangible lease assets	622,056	403,138
Investment in financing leases	2,060,302	684,053
Mortgage loans	1,275,022	1,213,322
Gross investment in real estate assets	11,438,078	7,165,834
Accumulated depreciation	(504,651)	(414,331)
Accumulated amortization	(65,391)	(50,653)
Net investment in real estate assets	10,868,036	6,700,850
Cash and cash equivalents	1,462,286	820,868
Interest and rent receivables	31,357	25,855
Straight-line rent receivables	334,231	220,848
Equity investments	926,990	520,058
Other loans	544,832	373,198
Other assets	299,599	181,966
Total Assets	**$ 14,467,331**	**$ 8,843,643**
LIABILITIES AND CAPITAL		
Liabilities		
Debt, net	$ 7,023,679	$ 4,037,389
Accounts payable and accrued expenses	152,999	108,574
Deferred revenue	16,098	13,467
Obligations to tenants and other lease liabilities	107,911	27,524
Payable due to Medical Properties Trust, Inc.	138,100	95,361
Total Liabilities	7,438,787	4,282,315
Commitments and Contingencies		
Capital		
General partner — issued and outstanding — 5,176 units at December 31, 2019 and 3,706 units at December 31, 2018	70,939	46,084
Limited partners:		
Common units — issued and outstanding — 512,346 units at December 31, 2019 and 366,931 units at December 31, 2018	7,020,403	4,559,616
LTIP units — issued and outstanding — 232 units at December 31, 2019 and December 31, 2018	—	—
Accumulated other comprehensive loss	(62,905)	(58,202)
Total MPT Operating Partnership, L.P. capital	7,028,437	4,547,498
Non-controlling interests	107	13,830
Total Capital	7,028,544	4,561,328
Total Liabilities and Capital	**$ 14,467,331**	**$ 8,843,643**

See accompanying notes to consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
Consolidated Statements of Net Income

	For the Years Ended December 31,		
	2019	2018	2017
	(Amounts in thousands, except for per unit data)		
Revenues			
Rent billed	$ 474,151	$ 473,343	$ 435,782
Straight-line rent	110,456	74,741	65,468
Income from financing leases	119,617	73,983	74,495
Interest and other income	149,973	162,455	129,000
Total revenues	854,197	784,522	704,745
Expenses			
Interest	237,830	223,274	176,954
Real estate depreciation and amortization	152,313	133,083	125,106
Property-related	23,992	9,237	5,811
General and administrative	96,411	80,086	58,599
Acquisition costs	—	917	29,645
Total expenses	510,546	446,597	396,115
Other income (expense)			
Gain on sale of real estate and other	41,560	719,392	7,431
Impairment charges	(21,031)	(48,007)	—
Earnings from equity interests	16,051	14,165	10,058
Debt refinancing and unutilized financing costs	(6,106)	—	(32,574)
Other	(345)	(4,071)	374
Total other income (expense)	30,129	681,479	(14,711)
Income before income tax	373,780	1,019,404	293,919
Income tax benefit (expense)	2,621	(927)	(2,681)
Net income	376,401	1,018,477	291,238
Net income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)
Net income attributable to MPT Operating Partnership partners	**$ 374,684**	**$ 1,016,685**	**$ 289,793**
Earnings per unit — basic			
Net income attributable to MPT Operating Partnership partners	**$ 0.87**	**$ 2.77**	**$ 0.82**
Weighted-average units outstanding — basic	**427,075**	**365,364**	**349,902**
Earnings per unit — diluted			
Net income attributable to MPT Operating Partnership partners	**$ 0.87**	**$ 2.76**	**$ 0.82**
Weighted-average units outstanding — diluted	**428,299**	**366,271**	**350,441**

See accompanying notes to consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

(In thousands)	For the Years Ended December 31, 2019	2018	2017
Net income	$ 376,401	$ 1,018,477	$ 291,238
Other comprehensive income (loss):			
Unrealized loss on interest rate swap	(9,033)	(3,317)	—
Foreign currency translation gain (loss)	4,330	(28,836)	66,854
Total comprehensive income	371,698	986,324	358,092
Comprehensive income attributable to non-controlling interests	(1,717)	(1,792)	(1,445)
Comprehensive income attributable to MPT Operating Partnership partners	$ 369,981	$ 984,532	$ 356,647

See accompanying notes to consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
Consolidated Statements of Capital
For the Years Ended December 31, 2019, 2018 and 2017
(Amounts in thousands, except per unit data)

	General Partner		Limited Partners				Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Capital
			Common		LTIPs				
	Units	Unit Value	Units	Unit Value	Units	Unit Value			
Balance at December 31, 2016	3,204	$ 33,436	317,310	$ 3,308,235	292	$ —	$ (92,903)	$ 4,850	$ 3,253,618
Net income	—	2,898	—	286,895	—	—	—	1,445	291,238
Sale of non-controlling interests	—	—	—	—	—	—	—	10,000	10,000
Foreign currency translation gain	—	—	—	—	—	—	66,854	—	66,854
Unit vesting and amortization of unit-based compensation	9	99	776	9,850	—	—	—	—	9,949
Treasury units acquired (41,270 units)	—	(6)	—	(509)	—	—	—	—	(515)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(1,723)	(1,723)
Proceeds from offering (net of offering costs)	431	5,478	42,694	542,307	—	—	—	—	547,785
Distributions declared ($0.96 per unit)	—	(3,416)	—	(338,195)	—	—	—	—	(341,611)
Balance at December 31, 2017	3,644	$ 38,489	360,780	$ 3,808,583	292	$ —	$ (26,049)	$ 14,572	$ 3,835,595
Net income	—	10,167	—	1,006,518	—	—	—	1,792	1,018,477
Cumulative effect of change in accounting principles	—	19	—	1,919	—	—	—	—	1,938
Unrealized loss on interest rate swap	—	—	—	—	—	—	(3,317)	—	(3,317)
Foreign currency translation loss	—	—	—	—	—	—	(28,836)	—	(28,836)
Unit vesting and amortization of unit-based compensation	6	165	593	16,340	—	—	—	—	16,505
Conversion of LTIP units to common units	—	—	60	—	(60)	—	—	—	—
Redemption of common units	—	—	(60)	(816)	—	—	—	—	(816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(2,534)	(2,534)
Proceeds from offering (net of offering costs)	56	942	5,558	93,297	—	—	—	—	94,239
Distributions declared ($1.00 per unit)	—	(3,698)	—	(366,225)	—	—	—	—	(369,923)
Balance at December 31, 2018	3,706	$ 46,084	366,931	$ 4,559,616	232	$ —	$ (58,202)	$ 13,830	$ 4,561,328
Net income	—	3,746	—	370,938	—	—	—	1,717	376,401
Unrealized loss on interest rate swap	—	—	—	—	—	—	(9,033)	—	(9,033)
Foreign currency translation gain	—	—	—	—	—	—	4,330	—	4,330
Unit vesting and amortization of unit-based compensation	15	322	1,521	31,866	—	—	—	—	32,188
Distributions to non-controlling interests, net	—	—	—	—	—	—	—	(15,440)	(15,440)
Proceeds from offering (net of offering costs)	1,455	25,332	143,894	2,507,878	—	—	—	—	2,533,210
Distributions declared ($1.02 per unit)	—	(4,545)	—	(449,895)	—	—	—	—	(454,440)
Balance at December 31, 2019	5,176	$ 70,939	512,346	$ 7,020,403	232	$ —	$ (62,905)	$ 107	$ 7,028,544

See accompanying notes to consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2019	2018	2017
	(Amounts in thousands)		
Operating activities			
Net income	$ 376,401	$ 1,018,477	$ 291,238
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	156,575	141,492	131,979
Amortization of deferred financing costs and debt discount	8,881	7,363	6,521
Straight-line rent revenue and other	(138,806)	(100,594)	(80,741)
Unit-based compensation	32,188	16,505	9,949
Gain from sale of real estate and other	(41,560)	(719,392)	(7,431)
Impairment charges	21,031	48,007	—
Straight-line rent and other write-off	15,539	18,002	5,340
Debt refinancing and unutilized financing costs	6,106	—	32,574
Other adjustments	4,637	(3,768)	(1,204)
Changes in:			
Interest and rent receivables	12,906	46,498	(21,116)
Other assets	(4,992)	(18,051)	(5,318)
Accounts payable and accrued expenses	39,630	(5,596)	2,494
Deferred revenue	5,581	145	(2,050)
Net cash provided by operating activities	494,117	449,088	362,235
Investing activities			
Cash paid for acquisitions and other related investments	(4,565,594)	(1,430,995)	(2,246,788)
Net proceeds from sale of real estate	111,766	1,513,666	64,362
Principal received on loans receivable	920	885,917	8,480
Investment in loans receivable	(54,088)	(212,002)	(19,338)
Construction in progress and other	(83,798)	(53,967)	(73,812)
Capital additions and other investments, net	(293,163)	(138,441)	(94,970)
Net cash (used for) provided by investing activities	(4,883,957)	564,178	(2,362,066)
Financing activities			
Proceeds from term debt, net of discount	3,048,424	759,735	2,355,280
Payments of term debt	—	—	(1,038,221)
Payment of deferred financing costs	(30,186)	—	(32,794)
Revolving credit facilities, net	(65,736)	(811,718)	550,415
Distributions paid	(411,697)	(363,906)	(326,729)
Lease deposits and other obligations to tenants	(12,260)	(20,606)	27,525
Proceeds from sale of units, net of offering costs	2,533,210	94,239	547,785
Other financing activities	(19,871)	(3,614)	(12,984)
Net cash provided by (used for) financing activities	5,041,884	(345,870)	2,070,277
Increase in cash, cash equivalents, and restricted cash for the year	652,044	667,396	70,446
Effect of exchange rate changes	(6,478)	(17,218)	16,920
Cash, cash equivalents, and restricted cash at beginning of year	822,425	172,247	84,881
Cash, cash equivalents and restricted cash at end of year	**$ 1,467,991**	**$ 822,425**	**$ 172,247**
Interest paid, including capitalized interest of $3,936 in 2019, $1,480 in 2018, and $840 in 2017	$ 211,163	$ 221,779	$ 149,798
Supplemental schedule of non-cash financing activities:			
Dividends declared, unpaid	$ 138,161	$ 95,419	$ 89,403
Cash, cash equivalents, and restricted cash are comprised of the following:			
Beginning of period:			
Cash and cash equivalents	$ 820,868	$ 171,472	$ 83,240
Restricted cash, included in Other assets	1,557	775	1,641
	$ 822,425	$ 172,247	$ 84,881
End of period:			
Cash and cash equivalents	$ 1,462,286	$ 820,868	$ 171,472
Restricted cash, included in Other assets	5,705	1,557	775
	$ 1,467,991	$ 822,425	$ 172,247

See accompanying notes to consolidated financial statements.

1. Organization

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003, under the Maryland General Corporation Law for the purpose of engaging in the business of investing in, owning, and leasing commercial real estate. Our operating partnership subsidiary, MPT Operating Partnership, L.P., through which we conduct all of our operations, was formed in September 2003. Through another wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of the Operating Partnership. At present, we directly own substantially all of the limited partnership interests in the Operating Partnership and have elected to report our required disclosures and that of the Operating Partnership on a combined basis, except where material differences exist.

We have operated as a real estate investment trust ("REIT") since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of the calendar year 2004 federal income tax return. Accordingly, we will generally not be subject to United States ("U.S.") federal income tax, provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income. Certain non-real estate activities we undertake are conducted by entities which we elected to be treated as taxable REIT subsidiaries ("TRS"). Our TRS entities are subject to both U.S. federal and state income taxes. For our properties, located outside the U.S., we are subject to the local taxes of the jurisdictions where our properties reside and/or legal entities are domiciled; however, we do not expect to incur additional taxes in the U.S. as the majority of such income flows through our REIT.

Our primary business strategy is to acquire and develop real estate and improvements, primarily for long-term lease to providers of healthcare services, such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, and long-term acute care hospitals. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. All of our properties are located in the U.S., Europe, and Australia.

2. Summary of Significant Accounting Policies

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation: Property holding entities and other subsidiaries of which we own 100% of the equity or have a controlling financial interest evidenced by ownership of a majority voting interest are consolidated. All inter-company balances and transactions are eliminated. For entities in which we own less than 100% of the equity interest, we consolidate the property if we have the direct or indirect ability to control the entities' activities based upon the terms of the respective entities' ownership agreements. For these entities, we record a non-controlling interest representing equity held by non-controlling interests.

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity. If we determine that we have a variable interest in a variable interest entity, we then evaluate if we are the primary beneficiary of the variable interest entity. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. We consolidate each variable interest entity in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary. At December 31, 2019 and 2018, we determined that we were not the primary beneficiary of any variable interest entity in which we hold a variable interest because we do not control the activities (such as the day-to-day operations) that most significantly impact the economic performance of these entities.

Investments in Unconsolidated Entities: Investments in entities in which we have the ability to significantly influence (but not control) are accounted for by the equity method, such as our joint venture with Primotop Holdings S.à.r.l. ("Primotop") as discussed in Note 3. Under the equity method of accounting, our share of the investee's earnings or losses are included in the "Earnings from equity interests" line of our consolidated statements of net income. Except for our joint venture with Primotop, we have elected to record our share of such investee's earnings or losses on a lag basis. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the interest in the investee entity. Subsequently, our investments are increased/decreased by our share in the investees' earnings/losses and decreased by cash distributions from our investees. To the extent that our cost basis is different from the basis reflected at the investee entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the investee.

We evaluate our equity method investments for impairment based upon a comparison of the fair value of the equity method investment to its carrying value, when impairment indicators exist. If we determine a decline in the fair value of an investment in an unconsolidated investee entity below its carrying value is other-than-temporary, an impairment is recorded.

Investments in entities in which we do not control nor do we have the ability to significantly influence and for which there is no readily determinable fair value (such as our investments in Steward Health Care System LLC ("Steward") and Median Kliniken S.á.r.l. ("MEDIAN") are accounted for at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions involving the investee. For similar investments but for which there are readily determinable fair values, such investments are measured at fair value quarterly, with unrealized gains and losses recorded in income.

Cash and Cash Equivalents: Certificates of deposit, short-term investments with original maturities of three months or less, and money-market mutual funds are considered cash equivalents. The majority of our cash and cash equivalents are held at major commercial banks, which at times may exceed the Federal Deposit Insurance Corporation limit. We have not experienced any losses to-date on our invested cash. Cash and cash equivalents which have been restricted as to its use are recorded in other assets.

Revenue Recognition: Our revenues are primarily from leases and mortgage loans. On January 1, 2019, we adopted Accounting Standards Update ("ASU") 2016-02, "Leases", ("ASU 2016-02"). ASU 2016-02 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). We adopted this standard using the modified retrospective approach and have elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things permits the following: no reassessment of whether existing contracts are or contain a lease and no reassessment of lease classification for existing leases. In addition, we made certain elections permitted which (1) permits entities to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented and (2) permits lessors to account for lease and non-lease components as a single lease component in a contract if certain criteria are met. For lessors, this new standard of accounting for leases is substantially equivalent to previous guidance, but there are some differences which we highlight below:

Operating Lease Revenue

We receive income from operating leases based on the fixed, minimum required rents (base rents) per the lease agreements. Rent revenue from base rents is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for those acquired as part of a property acquisition. The straight-line method records the periodic average amount of base rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method typically has the effect of recording more rent revenue from a lease than a tenant is required to pay early in the term of the lease. During the later parts of a lease term, this effect reverses with less rent revenue recorded than a tenant is required to pay. Rent revenue, as recorded on the straight-line method, in the consolidated statements of net income is presented as two amounts: rent billed and straight-line rent revenue. Rent billed revenue is the amount of base rent actually billed to our tenants each period as required by the lease. Straight-line rent revenue is the difference between rent revenue earned based on the straight-line method and the amount recorded as rent billed revenue. We record the difference between rent revenues earned and amounts due per the respective lease agreements, as applicable, as an increase or decrease to straight-line rent receivable.

Rental payments received prior to their recognition as income are classified as deferred revenue.

Financing Lease Revenue

Under the new lease accounting rules adopted on January 1, 2019, if an acquisition and subsequent lease of a property to the seller does not meet the definition of a sale, we must account for the transaction as a financing with income recognized using the imputed interest method.

Another type of financing lease that we carried forward from the previous lease accounting guidance is a direct financing lease ("DFL"). For leases accounted for as DFLs, the future minimum lease payments are recorded as a receivable. The difference between the future minimum lease payments and the estimated residual values less the cost of the properties is recorded as unearned income. Unearned income is deferred and amortized to income over the lease terms to provide a constant yield when collectability of the lease payments is reasonably assured. Investments in DFLs are presented net of unearned income.

Other Leasing Revenue

We begin recording base rent income from our development projects when the lessee takes physical possession of the facility, which may be different from the stated start date of the lease. Also, during construction of our development projects, we may be entitled to accrue rent based on the cost paid during the construction period (construction period rent). We accrue construction period rent as a receivable with a corresponding offset to deferred revenue during the construction period. When the lessee takes physical possession of the facility, we begin recognizing the deferred construction period revenue on the straight-line method over the term of the lease.

We also receive additional rent (contingent rent) under some leases based on increases in the consumer price index ("CPI") (or similar index outside the U.S.) or when CPI exceeds the annual minimum percentage increase as stipulated in the lease. Contingent rents are recorded as rent billed revenue in the period earned.

Starting January 1, 2019 (with the adoption of ASU 2016-02), tenant payments for ground leases along with other operating expenses, such as property taxes and insurance, that are paid directly by us and reimbursed by our tenants are presented on a gross basis with the related revenues recorded in "Interest and other income" and the related expenses in "Property-related" in our consolidated statements of net income. All payments of other operating expenses made directly by the tenant to the applicable government or appropriate third-party vendor are recorded on a net basis, consistent with how all tenant payments or reimbursements pursuant to our "triple-net" leases were accounted for prior to ASU 2016-02.

Interest Revenue

We receive interest income from our tenants/borrowers on mortgage loans, working capital loans, and other long-term loans. Interest income from these loans is recognized as earned based upon the principal outstanding and terms of the loans.

Other Revenue

Commitment fees received from lessees for development and leasing services are initially recorded as deferred revenue and recognized as income over the initial term of a lease to produce a constant effective yield on the lease (interest method). Commitment and origination fees from lending services are also recorded as deferred revenue initially and recognized as income over the life of the loan using the interest method.

Acquired Real Estate Purchase Price Allocation: Since January 1, 2018 with adoption of ASU No. 2017-01, "Clarifying the Definition of a Business" ("ASU 2017-01"), all of our property acquisitions have been accounted for as asset acquisitions. Prior to 2018, properties acquired for leasing purposes were accounted for using business combination accounting rules. The primary impact to us from this change in accounting is the capitalization of third party transaction costs that are directly related to the acquisition as these costs were expensed under business combination accounting rules. Under either accounting method, we allocate the purchase price of acquired properties to tangible and identified intangible assets acquired and liabilities assumed (if any) based on their fair values. In making estimates of fair values for purposes of allocating purchase prices of acquired real estate, we may utilize a number of sources, from time to time, including available real estate broker data, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, internal data from previous acquisitions or developments, and other market data, including market comparables for significant assumptions such as market rental, capitalization and discount rates. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

We measure the aggregate value of lease intangible assets acquired based on the difference between (i) the property valued with new or in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in our analysis include an estimate of carrying costs during hypothetical expected lease-up periods, considering current market conditions, and costs to execute similar leases. We also consider information obtained about each targeted facility as a result of our pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the intangible assets acquired. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which we expect to be about six months depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal costs, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

We record above-market and below-market in-place lease values, if any, for our facilities, which are based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. We amortize any resulting capitalized above-market lease values as a reduction of rental income over the lease term. We amortize any resulting capitalized below-market lease values as an increase to rental income over the lease term.

Other intangible assets acquired may include customer relationship intangible values which are based on management's evaluation of the specific characteristics of each prospective tenant's lease and our overall relationship with that tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality, and expectations of lease renewals, including those existing under the terms of the lease agreement, among other factors.

We amortize the value of these intangible assets to expense over the term of the respective leases. If a lease is terminated early, the unamortized portion of the lease intangibles are charged to expense.

Real Estate and Depreciation: Real estate, consisting of land, buildings and improvements, are maintained at cost. Although typically paid by our tenants, any expenditure for ordinary maintenance and repairs that we pay are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of the assets. For assets held for sale, we cease recording depreciation expense and adjust the assets' value to the lower of its carrying value or fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest. We classify real estate assets as held for sale when we have commenced an active program to sell the assets, and in the opinion of management, it is probable the asset will be sold within the next 12 months.

Construction in progress includes the cost of land, the cost of construction of buildings, improvements, and fixed equipment, and costs for design and engineering. Other costs, such as interest, legal, property taxes, and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress. We commence capitalization of costs associated with a development project when the development of the future asset is probable and activities necessary to get the underlying property ready for its intended use have been initiated. We stop the capitalization of costs when the property is substantially complete and ready for its intended use.

Depreciation is calculated on the straight-line method over the estimated useful lives of the related real estate and other assets. Our weighted-average useful lives at December 31, 2019 are as follows:

Buildings and improvements	39.0 years
Tenant lease intangibles	23.7 years
Leasehold improvements	17.0 years
Furniture, equipment, and other	7.7 years

Losses from Rent Receivables: For all leases, we continuously monitor the performance of our existing tenants including, but not limited to: admission levels and surgery/procedure volumes by type; current operating margins; ratio of our tenants' operating margins both to facility rent and to facility rent plus other fixed costs; trends in cash collections; trends in revenue and patient mix; and the effect of evolving healthcare regulations on tenants' profitability and liquidity.

Losses from Operating Lease Receivables: We utilize the information above along with the tenant's payment and default history in evaluating (on a property-by-property basis) whether or not a provision for losses on outstanding billed rent and/or straight-line rent receivables is needed. A provision for losses on rent receivables (including straight-line rent receivables) is ultimately recorded when it becomes probable that the receivable will not be collected in full. The provision is an amount which reduces the receivable to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from existing collateral, if any.

Losses on Financing Lease Receivables: Allowances are established for financing lease receivables based upon an estimate of probable losses on a property-by-property basis. Financing lease receivables are impaired when it is deemed probable that we will be unable to collect all amounts due in accordance with the contractual terms of the lease. Like operating lease receivables, the need for an allowance is based upon our assessment of the lessee's overall financial condition; economic resources and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. These estimates consider all available evidence including the expected future cash flows discounted at the effective interest rate of the financing lease, fair value of collateral, and other relevant factors, as appropriate. Financing leases are placed on non-accrual status when we determine that the collectability of contractual amounts is not reasonably assured. If on non-accrual status, we generally account for the financing leases on a cash basis, in which income is recognized only upon receipt of cash.

Loans: Loans consist of mortgage loans, working capital loans, and other long-term loans. Mortgage loans are collateralized by interests in real property. Working capital and other long-term loans are generally collateralized by interests in receivables and corporate and individual guarantees. We record loans at cost. We evaluate the collectability of both interest and principal on a loan-by-loan basis (using the same process as we do for assessing the collectability of rents) to determine whether they are impaired. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the allowance is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows using the loan's effective interest rate or to the fair value of the collateral, if the loan is collateral dependent. If a loan is deemed to be impaired, we generally place the loan on non-accrual status and record interest income only upon receipt of cash.

Earnings Per Share/Units: Basic earnings per common share/unit is computed by dividing net income applicable to common shares/units by the weighted-average number of shares/units of common stock/units outstanding during the period. Diluted earnings per common share/units is calculated by including the effect of dilutive securities.

Our unvested restricted stock/unit awards contain non-forfeitable rights to dividends, and accordingly, these awards are deemed to be participating securities. These participating securities are included in the earnings allocation in computing both basic and diluted earnings per common share/unit.

Income Taxes: We conduct our business as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended ("the Code"). To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute to stockholders at least 90% of our REIT's ordinary taxable income. As a REIT, we generally pay little U.S. federal and state income tax because of the dividends paid deduction that we are allowed to take. If we fail to qualify as a REIT in any taxable year, we will then be subject to U.S. federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to operate in such a manner so that we will remain qualified as a REIT for U.S. federal income tax purposes.

Our financial statements include the operations of a TRS, MPT Development Services, Inc. ("MDS"), and with many other entities, which are single member LLCs that are disregarded for tax purposes and are reflected in the tax returns of MDS. MDS is not entitled to a dividends paid deduction and is subject to U.S. federal, state, and local income taxes. MDS is authorized to provide property development, leasing, and management services for third-party owned properties, and we will make non-mortgage loans to and/or investments in our lessees through this entity.

With the property acquisitions and investments in Europe and Australia, we are subject to income taxes internationally. However, we do not expect to incur any additional income taxes in the U.S. as such income from our international properties flows through our REIT income tax returns. For our TRS and international subsidiaries, we determine deferred tax assets and liabilities based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Any increase or decrease in our deferred tax assets/liabilities that results from a change in circumstances and that causes us to change our judgment about expected future tax consequences of events, is reflected in our tax provision when such changes occur. Deferred income taxes also reflect the impact of operating loss carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of our deferred tax assets will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about our ability to realize the related deferred tax asset, is reflected in our tax provision when such changes occur.

The calculation of our income taxes involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. An income tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of technical merits. However, if a more likely than not position cannot be reached, we record a liability as an offset to the tax benefit and adjust the liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the uncertain tax position liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

Stock-Based Compensation: We adopted the 2019 Equity Incentive Plan (the "Equity Incentive Plan") during the second quarter of 2019. Awards of restricted stock and other equity-based awards with service conditions are valued at the average stock price per share on the date of grant and are amortized to compensation expense over the service periods (typically three years), using the straight-line method. Awards that contain market conditions are valued on the grant date using a Monte Carlo valuation model and are amortized to compensation expense over the derived service periods, which correspond to the periods over which we estimate the awards will be earned, which generally range from three to five years, using the straight-line method. Awards with performance conditions are valued at the average stock price per share on the date of grant and are amortized using the straight-line method over the service period, adjusted for the probability of achieving the performance conditions. Forfeitures of stock-based awards are recognized as they occur.

Deferred Costs: Costs incurred that directly relate to the offerings of stock are deferred and netted against proceeds received from the offering. Leasing commissions and other leasing costs that would not have been incurred if the lease was not obtained are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to borrowers are capitalized and recognized as a reduction in interest income over the life of the loan.

Deferred Financing Costs: We generally capitalize financing costs incurred in connection with new financings and refinancings of debt. These costs are amortized over the lives of the related debt as an addition to interest expense. For debt with defined principal re-payment terms, the deferred costs are amortized to produce a constant effective yield on the debt (interest method) and are included within Debt, net on our consolidated balance sheets. For debt without defined principal repayment terms, such as our revolving credit facility, the deferred costs are amortized on the straight-line method over the term of the debt and are included as a component of “Other assets” on our consolidated balance sheets.

Foreign Currency Translation and Transactions: Certain of our international subsidiaries’ functional currencies are the local currencies of their respective countries. We translate the results of operations of our foreign subsidiaries into U.S. dollars using average rates of exchange in effect during the period, and we translate balance sheet accounts using exchange rates in effect at the end of the period. We record resulting currency translation adjustments in “Accumulated other comprehensive income (loss)”, a component of stockholders’ equity on our consolidated balance sheets.

Certain of our U.S. subsidiaries will enter into short-term and long-term transactions denominated in a foreign currency from time-to-time. Gains or losses resulting from these foreign currency transactions are translated into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of transaction gains or losses on our short-term transactions are included in other income in the consolidated statements of income, while the translation effects on our long-term investments are recorded in “Accumulated other comprehensive income (loss)” on our consolidated balance sheets.

Derivative Financial Investments and Hedging Activities: During our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate and/or foreign currency risk. We record our derivative and hedging instruments at fair value on the balance sheet. Changes in the estimated fair value of derivative instruments that are not designated as hedges or that do not meet the criteria for hedge accounting are recognized in earnings. For derivatives designated as cash flow hedges, the change in the estimated fair value of the effective portion of the derivative is recognized in “Accumulated other comprehensive income (loss)” on our consolidated balance sheets, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings. For derivatives designated as fair value hedges, the change in the estimated fair value of the effective portion of the derivatives offsets the change in the estimated fair value of the hedged item, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings.

To qualify for hedge accounting, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking the hedge prior to entering into a derivative transaction. This process includes specific identification of the hedging instrument and the hedge transaction, the nature of the risk being hedged and how the hedging instrument’s effectiveness in hedging the exposure to the hedged transaction’s variability in cash flows attributable to the hedged risk will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. In addition, for cash flow hedges, we assess whether the underlying forecasted transaction will occur. We discontinue hedge accounting if a derivative is not determined to be highly effective as a hedge or that it is probable that the underlying forecasted transaction will not occur.

Fair Value Measurement: We measure and disclose the estimated fair value of financial assets and liabilities utilizing a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

- *Level 1* — quoted prices for *identical* instruments in active markets;
- *Level 2* — quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- *Level 3* — fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

We measure fair value using a set of standardized procedures that are outlined herein for all assets and liabilities which are required to be measured at their estimated fair value on either a recurring or non-recurring basis. When available, we utilize quoted market prices from an independent third party source to determine fair value and classify such items in Level 1. In some instances where a market price is available, but the instrument is in an inactive or over-the-counter market, we apply the dealer (market maker) pricing estimate and classify the asset or liability in Level 2.

If quoted market prices or inputs are not available, fair value measurements are based upon valuation models that utilize current market or independently sourced market inputs, such as interest rates, option volatilities, credit spreads, market capitalization rates, etc. Items valued using such internally-generated valuation techniques are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified in either Level 2 or 3 even though there may be some significant inputs that are readily observable. Internal fair value models and techniques that have been used by us include discounted cash flow and Monte Carlo valuation models. We also consider counterparty's and our own credit risk on derivatives and other liabilities measured at their estimated fair value.

Fair Value Option Election: For our equity interest in Ernest Health, Inc. ("Ernest") along with any related loans (all of which other than the mortgage loans were sold or paid off on October 4, 2018 - see Note 3 for more details), we have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interests or loans that existed at December 31, 2019.

Leases (Lessee)

Pursuant to ASU 2016-02, we are required to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method (for finance leases) or on a straight-line basis (for operating leases) over the term of the lease. Starting January 1, 2019, we are required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less are off balance sheet with lease expense recognized on a straight-line basis over the lease term, similar to previous guidance for operating leases.

For our leases in which we are the lessee, including ground leases on which certain of our facilities reside, along with corporate office and equipment leases, we recorded a right-of-use asset and offsetting lease liability of approximately $84 million upon adoption of this standard - resulting in no material cumulative effect adjustment.

Reclassifications: Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform to the current period presentation.

Recent Accounting Developments

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). This standard requires a new forward-looking "expected loss" model to be used for our financing receivables, including financing leases and loans, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for us on January 1, 2020. Upon adoption of this standard, we expect to record a credit loss reserve on January 1, 2020, of between $5 million and $15 million with the effect recorded as a cumulative adjustment in retained earnings.

3. Real Estate Activities

Acquisitions

For the years ended December 31, 2019, 2018, and 2017, we acquired the following assets:

	2019	2018	2017
		(in thousands)	
Assets Acquired			
Land	$ 400,539	$ 71,880	$ 240,993
Building	1,951,066	686,739	985,219
Intangible lease assets — subject to amortization (weighted-average useful life of 19.1 years in 2019, 27.9 years in 2018, and 27.7 years in 2017)	227,468	90,651	181,004
Investment in financing leases	1,386,797	—	40,450
Mortgage loans	51,267	—	700,000
Other loans	135,258	336,458	—
Equity investments and other assets	415,836	245,267	100,000
Liabilities assumed	(2,637)	—	(878)
Total assets acquired	$ 4,565,594	$ 1,430,995	$ 2,246,788
Loans repaid(1)	—	(764,447)	—
Total net assets acquired	$ 4,565,594	$ 666,548	$ 2,246,788

(1) The 2018 column includes $0.8 billion of loans advanced to Steward in 2016 and repaid in 2018 as part of sale leaseback conversion described below.

2019 Activity

LifePoint Acquisition

On December 17, 2019, we acquired a portfolio of 10 acute care hospitals owned and operated by LifePoint Health, Inc. (“LifePoint”) for a combined purchase price of approximately $700.0 million. The properties are leased to LifePoint under one master lease agreement. The master lease has a 20-year initial term and two five-year extension options, plus annual inflation-based escalators.

Prospect Transaction

On August 23, 2019, we invested in a portfolio of 14 acute care hospitals and two behavioral health facilities operated by Prospect Medical Holdings, Inc. (“Prospect”) for a combined purchase price of approximately $1.55 billion. Our investment includes the acquisition of the real estate of 11 acute care hospitals and two behavioral health facilities for $1.4 billion. We are accounting for these properties as a financing (as presented in the “Investment in financing leases” line of the consolidated balance sheets) under the new lease accounting rules due to certain lessee end-of-term purchase options. In addition, we originated a $51.3 million mortgage loan, secured by a first mortgage on an acute care hospital, and a $112.9 million term loan which we expect will be converted into the acquisition of two additional acute care hospitals upon the satisfaction of certain conditions. The master leases and mortgage loan have substantially similar terms, with a 15-year fixed term subject to three extension options, plus annual inflation-based escalators.

The agreements provide for the potential for a future purchase price adjustment of up to an additional $250.0 million, based on achievement of certain performance thresholds over a three-year period; any such adjustment will be added to the lease base upon which we will earn a return in accordance with the master leases.

Ramsay Acquisition

On August 16, 2019, we acquired freehold interests in eight acute care hospitals located throughout England for an aggregate purchase price of approximately £347 million. The hospitals are leased to Ramsay pursuant to in-place net leases with approximate 18-year remaining lease terms and include annual fixed and periodic market-based escalations.

Australia Transaction

On June 6, 2019, we acquired 11 hospitals in Australia for a purchase price of approximately AUD $1.2 billion plus stamp duties and registration fees of AUD $66.6 million. The properties are leased to Healthscope, pursuant to master lease agreements that have an average initial term of 20 years with annual fixed escalations and multiple extension options. Healthscope was acquired in a simultaneous transaction by Brookfield Business Partners L.P. and certain of its institutional partners.

Switzerland Transactions

On May 27, 2019, we invested in a portfolio of 13 acute care campuses and two additional properties in Switzerland for an aggregate purchase price of approximately CHF 236.6 million. The investment was effected through our purchase of a 46% stake in a Swiss healthcare real estate company, Infracore SA, from the previous majority shareholder, Aevis Victoria SA (“Aevis”). The facilities are leased to Swiss Medical Network, a wholly-owned Aevis subsidiary, pursuant to leases with an average 23-year remaining term subject to annual escalation provisions. We are accounting for our 46% interest in this joint venture under the equity method. Additionally, we purchased a 4.9% stake in Aevis for approximately CHF 47 million on June 28, 2019 that we are marking to fair value through income each quarter.

Other Transactions

On December 3, 2019, we invested in two acute care hospitals in Spain for a purchase price of approximately €117.3 million. The investment was effected through our purchase of a 45% stake in a Spanish entity. The facilities are leased to HM Hospitales pursuant to a master lease with an initial lease term of 25 years. The lease provides for annual inflation-based escalators. We are accounting for our 45% interest in this joint venture under the equity method.

On November 28, 2019, we acquired an acute care hospital in Portugal for approximately €28.2 million. This facility is leased to José de Mello pursuant to an in-place lease with 17 years remaining on its initial term. The lease provides for annual inflation-based escalators.

On August 30, 2019, we invested in a portfolio of facilities throughout various states for approximately $254 million. The properties are leased to Vibra Healthcare, LLC (“Vibra”) pursuant to a new master lease agreement with an initial lease term of 20 years. The lease provides for annual inflation-based escalators and includes three five-year extension options. The facilities acquired include three inpatient rehabilitation hospitals and seven long-term acute care hospitals.

On June 10, 2019, we acquired seven community hospitals in Kansas for approximately $145.4 million. The properties are leased to an affiliate of Saint Luke’s Health System (“SLHS”) pursuant to seven individual in-place leases that have an average remaining lease term of 14 years. The leases provide for fixed escalations every five years and include two five-year extension options. All seven hospitals were constructed in either 2018 or 2019, and the leases are guaranteed by SLHS.

Other acquisitions during 2019 included three acute care hospitals and one inpatient rehabilitation hospital for an aggregate investment of approximately $135 million. One of the acute care hospitals, acquired on April 12, 2019 and located in Big Spring, Texas, is leased to Steward pursuant to the Steward master lease. The second facility, located in Poole, England, was acquired on April 3, 2019 and is leased to BMI Healthcare ("BMI") pursuant to an in-place lease with 14 years remaining on its term and fixed 2.5% annual escalators. The third acute care facility was acquired on September 30, 2019, located in Watsonville, California, and is leased to Halsen Healthcare. The inpatient rehabilitation hospital, acquired on February 8, 2019, is located in Germany and leased to affiliates of MEDIAN. This acquisition was the final property acquired as part of a four-hospital portfolio transaction that we signed with MEDIAN in June 2018.

2018 Activity

Joint Venture Transaction

On August 31, 2018, we completed a joint venture arrangement with Primotop pursuant to which we contributed 71 of our post-acute hospitals in Germany, with an aggregate fair value of €1.635 billion, for a 50% interest, while Primotop contributed cash for its 50% interest in the joint venture. As part of the transaction, we received an aggregate amount of approximately €1.14 billion, from the proceeds of the cash contributed by Primotop and the secured debt financing placed on the joint venture's real estate, and we recognized an approximate €500 million gain on sale. At inception, our interest in the joint venture was made up of a 50% equity investment valued at approximately €210 million, which is being accounted for under the equity method of accounting, and a €290 million shareholder loan (with terms identical to Primotop's shareholder loan).

Other Transactions

On August 31, 2018, we acquired an acute care facility in Pasco, Washington for $17.5 million. The property is leased to LifePoint, pursuant to the existing long-term master lease.

On August 28, 2018, we acquired three inpatient rehabilitation hospitals in Germany for €17.3 million (including real estate transfer taxes). These hospitals are part of a four-hospital portfolio that we agreed to purchase for an aggregate amount of €23 million (including real estate transfer taxes) in June 2018. The properties are leased to MEDIAN, pursuant to a new 27-year master lease with annual inflation-based escalators.

During 2018, we acquired the fee simple real estate of five general acute care hospitals, four of which are located in Massachusetts and one located in Texas, from Steward in exchange for the reduction of $764.4 million of mortgage loans made to Steward in October 2016 and March 2018, along with additional cash consideration. These properties are being leased to Steward pursuant to the original master lease from October 2016.

2017 Activity

Steward Transactions

On September 29, 2017, we acquired, from IASIS Healthcare LLC ("IASIS"), a portfolio of ten acute care hospitals and one behavioral health facility, along with ancillary land and buildings that are located in Arizona, Utah, Texas, and Arkansas. The portfolio is now operated by Steward which separately completed its acquisition of the operations of IASIS on September 29, 2017. Our investment in the portfolio includes the acquisition of eight acute care hospitals and one behavioral health facility for approximately $700 million, the making of $700 million in mortgage loans on two acute care hospitals, and a $100 million minority equity contribution in Steward, for a combined investment of approximately $1.5 billion.

On May 1, 2017, we acquired eight hospitals previously affiliated with Community Health Systems, Inc. in Florida, Ohio, and Pennsylvania for an aggregate purchase price of $301.3 million.

MEDIAN Transactions

On November 29, 2017, we acquired three rehabilitation hospitals in Germany for an aggregate purchase price of €80 million. The facilities are leased to affiliates of MEDIAN, pursuant to a new long-term master lease. The lease began on November 30, 2017, and the term is for 27 years (ending in November 2044). The lease provides for annual inflation-based escalators.

During the third quarter of 2017, we acquired two rehabilitation hospitals in Germany for an aggregate purchase price of €39.2 million, in addition to 11 rehabilitation hospitals in Germany that we acquired in the second quarter of 2017 for an aggregate purchase price of €127 million. These 13 properties are leased to affiliates of MEDIAN, pursuant to a third master lease entered into in 2016. These acquisitions are the final properties of the portfolio of 20 properties in Germany that we agreed to acquire in July 2016 for €215.7 million, of which seven properties totaling €49.5 million closed in December 2016.

On June 22, 2017, we acquired an acute care hospital in Germany for a purchase price of €19.4 million, of which €18.6 million was paid upon closing with the remainder being paid over four years. This property is leased to affiliates of MEDIAN, pursuant to an existing master lease agreement that ends in December 2042 with annual inflation-based escalators.

On January 30, 2017, we acquired an inpatient rehabilitation hospital in Germany for €8.4 million. This acquisition was the final property to close as part of the six hospital portfolio that we agreed to buy in September 2016 for an aggregate amount of €44.1 million. This property is leased to affiliates of MEDIAN pursuant to the original long-term master lease agreement reached with MEDIAN in 2015.

Other Transactions

On June 1, 2017, we acquired the real estate assets of Ohio Valley Medical Center located in Wheeling, West Virginia, and the East Ohio Regional Hospital in Martins Ferry, Ohio, from Ohio Valley Health Services, a not-for-profit entity in West Virginia, for an aggregate purchase price of approximately $40 million. We simultaneously leased the facilities to Alecto Healthcare Services LLC ("Alecto").

On May 1, 2017, we acquired the real estate of St. Joseph Regional Medical Center, a 145-bed acute care hospital in Lewiston, Idaho for $87.5 million. This facility is leased to LifePoint, pursuant to the existing long-term master lease entered into with LifePoint in April 2016.

Development Activities

2019 Activity

On October 25, 2019, we entered into an agreement to finance the development of and lease a behavioral hospital in Houston, Texas, for $27.5 million. This facility will be leased to NeuroPsychiatric Hospitals pursuant to a long-term lease and is expected to commence rent in the fourth quarter of 2020.

2018 Activity

During the year ended December 31, 2018, we completed the construction on Ernest Flagstaff. This $25.5 million inpatient rehabilitation facility located in Flagstaff, Arizona opened on March 1, 2018 and is being leased to Ernest pursuant to a stand-alone lease, with terms similar to the original master lease.

2017 Activity

During 2017, we completed construction and began recording rental income on the following facilities:

- Adeptus Health, Inc. ("Adeptus") — We completed four acute care facilities totaling approximately $68 million in development costs.
- IMED Group ("IMED") — A general acute facility located in Valencia, Spain opened on March 31, 2017, and is being leased to IMED pursuant to a 30-year lease that provides for quarterly fixed rent payments that started on October 1, 2017 with annual increases of 1% beginning April 1, 2020. Our ownership in this facility is effected through a joint venture between us and clients of AXA Real Estate, in which we own a 50% interest.

See table below for a status summary of our current development projects (in thousands):

Property	Commitment	Costs Incurred as of December 31, 2019	Estimated Rent Commencement Date
Circle (Birmingham, England)	$ 47,532	$ 41,920	2Q 2020
Circle Rehabilitation (Birmingham, England)	21,427	17,385	2Q 2020
Surgery Partners (Idaho Falls, Idaho)	113,468	96,639	1Q 2020
NeuroPsychiatric Hospitals (Houston, Texas)	27,500	12,268	4Q 2020
	$ 209,927	$ 168,212	

Disposals

2019 Activity

During 2019, we completed the sale of five facilities for net proceeds to us of approximately $97.0 million. The transactions resulted in a gain on real estate of $41.6 million.

2018 Activity

On October 4, 2018, we finalized a recapitalization agreement in which we sold our investment in the operations of Ernest and were repaid for our outstanding acquisition loans, working capital loans, and any unpaid interest. Total proceeds received from this transaction approximated $176 million. We retained ownership of the real estate and secured mortgage loans of our Ernest properties.

On August 31, 2018, we completed the previously described joint venture arrangement with Primotop, in which we contributed the real estate of 71 of our post-acute hospitals in Germany, with a fair value of approximately €1.635 billion, resulting in a gain of approximately €500 million. See “Acquisitions” in this Note 3 for further details on this transaction.

On August 31, 2018, we sold a general acute care hospital located in Houston, Texas that was leased and operated by North Cypress for $148 million. The transaction resulted in a gain on sale of $102.4 million, which was partially offset by a net $2.5 million non-cash charge to revenue to write-off related straight-line rent receivables.

On June 4, 2018, we sold three long-term acute care hospitals located in California, Texas, and Oregon, that were leased and operated by Vibra, which included our equity investment in operations of the Texas facility. Total proceeds from the transaction were $53.3 million in cash, a mortgage loan in the amount of $18.3 million, and a $1.5 million working capital loan. The transaction resulted in a gain on real estate of $24.2 million, which was partially offset by a $5.1 million non-cash charge to revenue to write-off related straight-line rent receivables.

On March 1, 2018, we sold the real estate of St. Joseph Medical Center in Houston, Texas, for approximately $148 million to Steward. In return, we received a mortgage loan equal to the purchase price, with such loan secured by the underlying real estate. The mortgage loan had terms consistent with the other mortgage loans in the Steward portfolio. This transaction resulted in a gain of $1.5 million, offset by a $1.7 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

Summary of Operations for Disposed Assets in 2018

The following represents the operating results (excluding the St. Joseph sale in March 2018) of the properties sold in 2018 for the periods presented (in thousands):

	For the Year Ended	
	2018	**2017**
Revenues	$ 88,838	$ 132,039
Real estate depreciation and amortization	(15,849)	(31,870)
Property-related expenses	(531)	(404)
Other(1)	709,717	(14,168)
Income from real estate dispositions, net	$ 782,175	$ 85,597

(1) Includes approximately $720 million of gains on sale for the twelve months ended December 31, 2018.

2017 Activity

On March 31, 2017, we sold the EASTAR Health System real estate located in Muskogee, Oklahoma, which was leased to LifePoint. Total proceeds from this transaction were approximately $64 million resulting in a gain of $7.4 million, partially offset by a $0.6 million non-cash charge to revenue to write-off related straight-line rent receivables on this property.

The property disposals in 2019, 2018, and 2017 were not strategic shifts in our operations and therefore the results of operations of those properties were not reclassified to discontinued operations.

Intangible Assets

At December 31, 2019 and 2018, our intangible lease assets were $622.1 million ($556.7 million, net of accumulated amortization) and $403.1 million ($352.5 million, net of accumulated amortization), respectively.

We recorded amortization expense related to intangible lease assets of $21.5 million, $17.6 million, and $15.8 million in 2019, 2018, and 2017, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows (amounts in thousands):

For the Year Ended December 31:		
2020	$	27,795
2021		27,781
2022		27,767
2023		27,702
2024		27,668

As of December 31, 2019, capitalized lease intangibles have a weighted-average remaining life of 21.6 years.

Leasing Operations (Lessor)

As noted earlier, we acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases (typical initial fixed terms ranging from 10 to 15 years) and most include renewal options at the election of our tenants, generally in five year increments. More than 97% of our leases provide annual rent escalations based on increases in the CPI (or similar index outside the U.S.) and/or fixed minimum annual rent escalations ranging from 0.5% to 3.0%. Many of our domestic leases contain purchase options with pricing set at various terms but in no case less than our total investment. For five properties with a carrying value of $210 million, our leases require a residual value guarantee from the tenant. Our leases typically require the tenant to handle and bear most of the costs associated with our properties including repair/maintenance, property taxes, and insurance. We routinely inspect our properties to ensure the residual value of each of our assets is being maintained. Except for leases classified as financing leases, all of our leases are classified as operating leases.

The following table summarizes total future minimum lease payments to be received, excluding operating expense reimbursements, from tenants under noncancelable leases as of December 31, 2019 (amounts in thousands):

		Total Under Operating Leases		**Total Under Financing Leases**		**Total**
2020	$	589,140	$	166,067	$	755,207
2021		604,653		169,388		774,041
2022		612,427		172,776		785,203
2023		623,590		176,231		799,821
2024		633,197		179,756		812,953
Thereafter		12,779,610		4,902,534		17,682,144
	$	15,842,617	$	5,766,752	$	21,609,369

At December 31, 2019, leases on 14 Ernest facilities and ten Prime Healthcare Services, Inc. ("Prime") facilities are accounted for as DFLs, and leases on 13 of our Prospect facilities are accounted for as a financing. The components of our total investment in financing leases consisted of the following (in thousands):

		As of December 31, 2019		**As of December 31, 2018**
Minimum lease payments receivable	$	1,884,921	$	2,091,504
Estimated residual values		394,195		424,719
Less unearned income		(1,618,252)		(1,832,170)
Net investment in direct financing leases	$	660,864	$	684,053
Other financing leases		1,399,438		—
Total investment in financing leases	$	2,060,302	$	684,053

Adeptus Health Transition Properties

As noted in previous filings and effective October 2, 2017, we had 16 properties transitioning away from Adeptus in stages over a two year period as part of Adeptus' confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code. Due to this transition, we accelerated the amortization of the straight-line rent receivables resulting in a $1.5 million and $6.1 million impact to 2019 and 2018, respectively, and recorded a $0.5 million and $18 million real estate impairment charge in 2019 and 2018, respectively, on certain of these facilities. At December 31, 2019, three of the original 16 properties (representing less than 0.1% of our total assets) are vacant.

Alecto Healthcare facilities

At December 31, 2019, we own four acute care facilities and have a mortgage loan on a fifth property, representing less than 0.6% of our total assets. During the fourth quarter of 2019, we terminated the lease on two Alecto facilities in Ohio and West Virginia resulting in a real estate impairment charge of approximately $20.0 million. This adjustment was in addition to the $30 million impairment recorded on Alecto properties in 2018.

Loans

The following is a summary of our loans ($ amounts in thousands):

	As of December 31, 2019		As of December 31, 2018	
	Balance	**Weighted-Average Interest Rate**	**Balance**	**Weighted-Average Interest Rate**
Mortgage loans	$ 1,275,022	9.0%	$ 1,213,322	8.8%
Acquisition loans	123,893	7.7%	3,454	10.8%
Other loans	420,939	5.7%	369,744	5.4%
	$ 1,819,854		$ 1,586,520	

Our mortgage loans cover 11 of our properties with five operators with the increase year-over-year related to the $51.3 million mortgage loan on a Prospect property.

Acquisition loans are primarily related to the $112.9 million loan to Prospect, which we expect will be converted into the acquisition of two acute care hospitals upon the satisfaction of certain conditions.

Other loans consist of loans to our tenants for working capital and other purposes and include our shareholder loan made to the joint venture with Primotop on August 31, 2018 (as more fully described above in this Note 3) in the amount of €290 million.

Concentration of Credit Risks

We monitor concentration risk in several ways due to the nature of our real estate assets that are vital to the communities in which they are located and given our history of being able to replace inefficient operators of our facilities, if needed, with more effective operators:

1) Facility concentration – At December 31, 2019, we had no investment in any single property greater than 2.6% of our total assets, compared to 4% at December 31, 2018.

2) Operator concentration – For the year ended December 31, 2019, revenue from Steward and Prime represented 42% and 15%, respectively, of our total revenues. In comparison, these operators represented 39% and 16%, respectively, of our total revenues for the year ended December 31, 2018. Due to new investments made during 2019, Steward (when including leases and mortgage loans) represents 24% of our total assets at December 31, 2019, compared to 38% at December 31, 2018.

3) Geographic concentration – At December 31, 2019, investments in the U.S, Europe, and Australia represented approximately 74%, 20%, and 6%, respectively, of our total assets. In comparison, investments in the U.S. and Europe represented approximately 80% and 20%, respectively, of our total assets at December 31, 2018.

4) Facility type concentration – For the year ended December 31, 2019, approximately 87% of our revenues are from our general acute care facilities, while rehabilitation and long-term acute care facilities made up 10% and 3%, respectively. In comparison, general acute care, rehabilitation, and long-term acute care facilities made up 76%, 20%, and 4%, respectively, of our total revenues for the year ended December 31, 2018.

Related Party Transactions

Lease and interest revenue earned from tenants in which we have or had an equity interest in during the year were $451.1 million, $501.4 million, and $422.4 million in 2019, 2018, and 2017, respectively.

4. Debt

The following is a summary of debt ($ amounts in thousands):

	As of December 31, 2019		As of December 31, 2018	
Revolving credit facility(A)	$	—	$	28,059
Term loan		200,000		200,000
Australian term loan facility(B)		842,520		—
4.000% Senior Unsecured Notes due 2022(B)		560,650		573,350
2.550% Senior Unsecured Notes due 2023(B)		530,280		—
5.500% Senior Unsecured Notes due 2024		300,000		300,000
6.375% Senior Unsecured Notes due 2024		500,000		500,000
3.325% Senior Unsecured Notes due 2025(B)		560,650		573,350
5.250% Senior Unsecured Notes due 2026		500,000		500,000
5.000% Senior Unsecured Notes due 2027		1,400,000		1,400,000
3.692% Senior Unsecured Notes due 2028(B)		795,420		—
4.625% Senior Unsecured Notes due 2029		900,000		—
	$	7,089,520	$	4,074,759
Debt issue costs and discount, net		(65,841)		(37,370)
	$	7,023,679	$	4,037,389

(A) Includes £22 million of GBP-denominated borrowings that reflect the exchange rate at December 31, 2018.
(B) Non-U.S. dollar denominated debt that reflects the exchange rate at period end.

As of December 31, 2019, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows ($ amounts in thousands):

2020	$	—
2021		—
2022		760,650
2023		530,280
2024		1,642,520
Thereafter		4,156,070
Total	$	7,089,520

Credit Facility

On February 1, 2017, we replaced our previous unsecured credit facility with a new revolving credit and term loan agreement. The new agreement included a $1.3 billion unsecured revolving loan facility, a $200 million unsecured term loan facility, and a new €200 million unsecured term loan facility. The unsecured revolving loan facility matures in February 2021 and can be extended for an additional 12 months at our option. The $200 million unsecured term loan facility matures on February 1, 2022, and the €200 million unsecured term loan facility had a maturity date of January 31, 2020; however, it was paid off on March 30, 2017 — see below. The term loan and/or revolving loan commitments may be increased in an aggregate amount not to exceed $500 million.

At our election, loans under the Credit Facility may be made as either ABR Loans or Eurodollar Loans. The applicable margin for term loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.95% based on our current credit rating. The applicable margin for term loans that are Eurodollar Loans is adjustable on a sliding scale from 0.90% to 1.95% based on our current credit rating. The applicable margin for revolving loans that are ABR Loans is adjustable on a sliding scale from 0.00% to 0.65% based on our current credit rating. The applicable margin for revolving loans that are Eurodollar Loans is adjustable on a sliding scale from 0.875% to 1.65% based on our current credit rating. The commitment fee is adjustable on a sliding scale from 0.125% to 0.30% based on our current credit rating and is payable on the revolving loan facility.

At December 31, 2019 and 2018, we had $0 and $28.1 million, respectively, outstanding on the revolving credit facility. At December 31, 2019, our availability under our revolving credit facility was $1.3 billion. The weighted-average interest rate on this facility was 2.0% and 2.7% during 2019 and 2018, respectively.

At December 31, 2019 and 2018, the interest rate in effect on our term loan was 3.30% and 3.89%, respectively.

Australian Term Loan Facility

On May 23, 2019, we entered into an AUD $1.2 billion term loan facility agreement with Bank of America, N.A., as administrative agent, and several lenders from time-to-time are parties thereto. The term loan facility matures on May 23, 2024. The interest rate under the term loan is adjustable based on a pricing grid from 0.85% to 1.65%, dependent on our current senior unsecured credit rating. On June 27, 2019, we entered into an interest rate swap transaction (effective July 3, 2019) to fix the interest rate to approximately 1.20% for the duration of the loan. The current applicable margin for the pricing grid (which can vary based on the Company's credit rating) is 1.25% for an all-in fixed rate of 2.45%.

4.000% Senior Unsecured Notes due 2022

On August 19, 2015, we completed a €500 million senior unsecured notes offering ("4.000% Senior Unsecured Notes due 2022"). Interest on the notes is payable annually on August 19 of each year. The notes pay interest in cash at a rate of 4.000% per year. The notes mature on August 19, 2022. We may redeem some or all of the 4.000% Senior Unsecured Notes due 2022 at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 4.000% Senior Unsecured Notes due 2022 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

2.550% Senior Unsecured Notes due 2023

On December 5, 2019, we completed a £400 million senior unsecured notes offering ("2.550% Senior Unsecured Notes due 2023"). Interest on the notes is payable annually on December 5 of each year. The notes pay interest in cash at a rate of 2.550% per year. The notes mature on December 5, 2023. We may redeem some or all of the 2.550% Senior Unsecured Notes due 2023 at any time. If the notes are redeemed prior to 30 days before maturity, the redemption price will be equal to 100% of the principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 2.550% Senior Unsecured Notes due 2023 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

5.500% Senior Unsecured Notes due 2024

On April 17, 2014, we completed a $300 million senior unsecured notes offering ("5.500% Senior Unsecured Notes due 2024"). Interest on the notes is payable semi-annually on May 1 and November 1 of each year. The notes pay interest in cash at a rate of 5.500% per year. The notes mature on May 1, 2024. We may redeem some or all of the notes at any time prior to May 1, 2019 at a "make-whole" redemption price. On or after May 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

6.375% Senior Unsecured Notes due 2024

On February 22, 2016, we completed a $500 million senior unsecured notes offering ("6.375% Senior Unsecured Notes due 2024"). Interest on the notes is payable on March 1 and September 1 of each year. Interest on the notes is paid in cash at a rate of 6.375% per year. The notes mature on March 1, 2024. We may redeem some or all of the notes at any time prior to March 1, 2019 at a "make whole" redemption price. On or after March 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to March 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 106.375% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

3.325% Senior Unsecured Notes due 2025

On March 24, 2017, we completed a €500 million senior unsecured notes offering ("3.325% Senior Unsecured Notes due 2025"). Interest on the notes is payable annually on March 24 of each year. The notes pay interest in cash at a rate of 3.325% per year. The notes mature on March 24, 2025. We may redeem some or all of the 3.325% Senior Unsecured Notes due 2025 at any time. If the notes are redeemed prior to 90 days before maturity, the redemption price will be equal to 100% of their principal amount, plus a make-whole premium, plus accrued and unpaid interest up to, but excluding, the applicable redemption date. Within the period beginning on or after 90 days before maturity, the notes may be redeemed, in whole or in part, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 3.325% Senior Unsecured Notes due 2025 are fully and unconditionally guaranteed on a senior unsecured basis by us. In the event of a change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest up to, but excluding, the date of the purchase.

5.250% Senior Unsecured Notes due 2026

On July 22, 2016, we completed a $500 million senior unsecured notes offering (“5.250% Senior Unsecured Notes due 2026”). Interest on the notes is payable on February 1 and August 1 of each year. Interest on the notes is to be paid in cash at a rate of 5.250% per year. The notes mature on August 1, 2026. We may redeem some or all of the notes at any time prior to August 1, 2021 at a “make whole” redemption price. On or after August 1, 2021, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to August 1, 2019, we may redeem up to 35% of the notes at a redemption price equal to 105.250% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

5.000% Senior Unsecured Notes due 2027

On September 7, 2017, we completed a $1.4 billion senior unsecured notes offering (“5.000% Senior Unsecured Notes due 2027”). Interest on the notes is payable on April 15 and October 15 of each year. The notes pay interest in cash at a rate of 5.000% per year. The notes mature on October 15, 2027. We may redeem some or all of the notes at any time prior to October 15, 2022 at a “make whole” redemption price. On or after October 15, 2022, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to October 15, 2020, we may redeem up to 40% of the notes at a redemption price equal to 105% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

3.692% Senior Unsecured Notes due 2028

On December 5, 2019, we completed a £600 million senior unsecured notes offering (“3.692% Senior Unsecured Notes due 2028”). The notes were issued at 99.998% of par value. Interest on the notes is payable on June 5 of each year. The notes pay interest in cash at a rate of 3.692% per year. The notes mature on June 5, 2028. We may redeem some or all of the 3.692% Senior Unsecured Notes due 2028 at any time. If the notes are redeemed prior to 30 days before maturity, the redemption price will be equal to 100% of the principal amount, plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the applicable redemption date. The 3.692% Senior Unsecured Notes due 2028 are fully and unconditionally guaranteed on an unsecured basis by us. In the event of change of control, each holder of the notes may require us to repurchase some or all of our notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of the purchase.

4.625% Senior Unsecured Notes due 2029

On July 26, 2019, we completed a $900 million senior unsecured notes offering (“4.625% Senior Unsecured Notes due 2029”). Interest on the notes is payable on February 1 and August 1 of each year, commencing on February 1, 2020. The notes were issued at 99.5% of par value, pay interest at a rate of 4.625% per year and mature on August 1, 2029. We may redeem some or all of the notes at any time prior to August 1, 2024 at a “make whole” redemption price. On or after August 1, 2024, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to August 1, 2022, we may redeem up to 40% of the notes at a redemption price equal to 104.625% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, using proceeds from one or more equity offerings. In the event of a change in control, each holder of the notes may require us to repurchase some or all of the notes at a repurchase price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest to the date of purchase.

Other Activity

In preparation of the joint venture with Primotop described under “2018 Activity” in Note 3, we issued secured debt on August 3, 2018, resulting in gross proceeds of €655 million. Provisions of the secured debt included a term of seven years and a swapped fixed rate of approximately 2.3%. Subsequently, on August 31, 2018, the secured debt was contributed along with the related real estate of 71 properties to form the joint venture.

Debt Refinancing and Unutilized Financing Costs

2019

On July 10, 2019, we received a commitment to provide a senior unsecured bridge loan facility to fund our investment in Prospect. With this commitment, we paid $4.2 million of underwriting and other fees. However, this commitment was cancelled with the completion of the debt and equity offerings in July 2019, which resulted in fully expensing the total amount of underwriting and other fees that were paid.

In anticipation of funding our Australian acquisition in June 2019 and the Circle Health Ltd. (“Circle”) transaction in January 2020, we entered into term loans on the date these deals were signed that had a delayed draw feature. This feature allowed for us to not draw on the term loans until needed to fund these transactions. However, with this type of structure, we incurred approximately $2.0 million in accelerated debt issue cost amortization expense during 2019.

2017

With the replacement of our previous credit facility, the early redemption of senior unsecured notes, the payoff of our €200 million term loan, the cancellation of a $1.0 billion term loan facility commitment, and the pre-payment of a $12.9 million mortgage loan, we incurred a charge of $32.6 million (including redemption premiums and accelerated amortization of deferred debt issuance cost and commitment fees) during the year ended December 31, 2017.

Covenants

Our debt facilities impose certain restrictions on us, including restrictions on our ability to: incur debts; create or incur liens; provide guarantees in respect of obligations of any other entity; make redemptions and repurchases of our capital stock; prepay, redeem, or repurchase debt; engage in mergers or consolidations; enter into affiliated transactions; dispose of real estate or other assets; and change our business. In addition, the credit agreements governing our Credit Facility limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations (“NAFFO”), as defined in the agreements, on a rolling four quarter basis. Through 2019, the dividend restriction was 95% of NAFFO. The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of NAFFO, proceeds of equity issuances and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the Credit Facility contains customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, secured leverage ratio, consolidated adjusted net worth, unsecured leverage ratio, and unsecured interest coverage ratio. The Credit Facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations, and failure to comply with our covenants. If an event of default occurs and is continuing under the Credit Facility, the entire outstanding balance may become immediately due and payable. At December 31, 2019, we were in compliance with all such financial and operating covenants.

5. Income Taxes

Medical Properties Trust, Inc.

We have maintained and intend to maintain our election as a REIT under the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax if we distribute 100% of our taxable income to our stockholders and satisfy certain other requirements; instead, income tax is paid directly by our stockholders on the dividends distributed to them. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through our TRS is subject to applicable U.S. federal, state, and local income taxes. Our international subsidiaries are also subject to income taxes in the jurisdictions in which they operate.

From our TRS and our foreign operations, income tax benefit (expense) were as follows (in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Current income tax benefit (expense):			
Domestic	$ 61	$ 125	$ 41
Foreign	(1,669)	(3,294)	(3,062)
	(1,608)	(3,169)	(3,021)
Deferred income tax benefit (expense):			
Domestic	5,490	3,713	233
Foreign	(1,261)	(1,471)	107
	4,229	2,242	340
Income tax benefit (expense)	$ 2,621	$ (927)	$ (2,681)

A reconciliation of the income tax benefit (expense) at the statutory income tax rate and the effective tax rate for income before income taxes for the years ended December 31, 2019, 2018, and 2017 is as follows (in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Income before income tax	$ 373,780	$ 1,019,404	$ 293,919
Income tax at the U.S. statutory federal rate (21% in 2019 and 2018 and 35% in 2017)	(78,494)	(214,075)	(102,872)
Decrease (increase) in income tax resulting from:			
Foreign rate differential	438	2,643	2,326
State income taxes, net of federal benefit	1,621	(379)	—
U.S. earnings not subject to federal income tax	85,495	208,472	98,026
Equity investments	1,091	46	(3,293)
Change in valuation allowance	(7,911)	2,668	5,391
Other items, net	381	(302)	(2,259)
Total income tax benefit (expense)	$ 2,621	$ (927)	$ (2,681)

The foreign provision for income taxes is based on foreign profit before income taxes of $10.7 million in 2019 as compared with foreign profit before income taxes of $18.6 million in 2018, and foreign losses before income taxes of $(0.1) million in 2017.

The domestic provision for income taxes is based on a loss before income taxes of $(44.1) million in 2019 from our TRS as compared with income before income taxes of $8.0 million in 2018 and $13.9 million in 2017.

At December 31, 2019 and 2018, components of our deferred tax assets and liabilities were as follows (in thousands):

	2019	2018
Deferred tax assets:		
Operating loss and interest deduction carry forwards	$ 28,684	$ 21,984
Other	1,711	277
Total deferred tax assets	30,395	22,261
Valuation allowance	(11,355)	(3,444)
Total net deferred tax assets	$ 19,040	$ 18,817
Deferred tax liabilities:		
Property and equipment	$ (7,324)	$ (12,359)
Net unbilled revenue	(1,449)	(1,633)
Partnership investments	—	—
Other	(737)	(300)
Total deferred tax liabilities	(9,510)	(14,292)
Net deferred tax asset (liability)	$ 9,530	$ 4,525

At December 31, 2019, we had net NOL carryforwards as follows (in thousands):

	U.S.	Luxembourg	Germany	U.K.	Australia
Gross NOL carryforwards	$ 192,358	$ 9,946	$ 1,426	$ 5,416	$ 12,939
Tax-effected NOL carryforwards	22,960	2,481	226	921	1,941
Valuation allowance	(6,212)	(2,481)	(226)	(921)	—
Net deferred tax asset - NOL carryforwards	$ 16,748	$ —	$ —	$ —	$ 1,941
Expiration periods	2027-indefinite	2034-indefinite	Indefinite	Indefinite	Indefinite

Valuation Allowance

A valuation allowance has been recorded on foreign and domestic net operating loss carryforwards and other net deferred tax assets that may not be realized. As of each reporting date, we consider all new evidence that could impact the future realization of our deferred tax assets. In the evaluation of the need for a valuation allowance on our deferred income tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred income tax liabilities, carryback of future period losses to prior periods, projected future taxable income, tax planning strategies, and recent financial performance.

During 2019, a valuation allowance of $5.9 million has been recorded against a portion of our domestic deferred tax assets to recognize only the components of the deferred tax assets that is more likely than not to be realized. The valuation allowance was primarily recorded against deferred tax assets for federal and state NOLs that we believe will not be realized due to the economic cost that would be incurred to realize these assets. This includes NOLs in states where we no longer maintain nexus and federal and state NOLs that are only available for partial offset of future taxable income.

We also evaluated the need for a valuation allowance on our foreign deferred income tax assets. In doing so, we considered all available evidence to determine whether it is more likely than not that the foreign deferred income tax assets will be realized. Based on our review of all positive and negative evidence, we recorded a partial valuation allowance of $2 million against certain foreign deferred income tax assets generated during the year. Furthermore, we determined the partial valuation allowances recorded in previous years should remain against certain foreign deferred income tax assets that are not expected to be realized through future sources of taxable income.

We have no material uncertain tax position liabilities and related interest or penalties.

REIT Status

We have met the annual REIT distribution requirements by payment of at least 90% of our taxable income in 2019, 2018, and 2017. Earnings and profits, which determine the taxability of such distributions, will differ from net income reported for financial reporting purposes due primarily to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of our net income and loss for financial reporting purposes and for tax reporting purposes.

A schedule of per share distributions we paid and reported to our stockholders is set forth in the following:

	For the Years Ended December 31,		
	2019	2018	2017
Common share distribution	$ 1.010000	$ 0.990000	$ 0.950000
Ordinary income	0.701910	0.438792	0.655535
Capital gains(1)	0.275040	0.551208	0.021022
Unrecaptured Sec. 1250 gain	0.041160	0.132280	0.004647
Section 199A Dividends	0.701910	0.438792	—
Return of capital	0.033050	—	0.273443

(1)Capital gains include unrecaptured Sec. 1250 gains.

MPT Operating Partnership, L.P.

As a partnership, the allocated share of income of the Operating Partnership is included in the income tax returns of the general and limited partners. Accordingly, no accounting for income taxes is generally required for such income of the Operating Partnership. However, the Operating Partnership has formed a TRS on behalf of Medical Properties Trust, Inc., which is subject to U.S. federal, state, and local income taxes at regular corporate rates, and its international subsidiaries are subject to income taxes in the jurisdictions in which they operate. See discussion above under Medical Properties Trust, Inc. for more details of income taxes associated with our TRS and international operations.

6. Earnings Per Share/Unit

Medical Properties Trust, Inc.

Our earnings per share were calculated based on the following (amounts in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Numerator:			
Net income	$ 376,401	$ 1,018,477	$ 291,238
Non-controlling interests' share in earnings	(1,717)	(1,792)	(1,445)
Participating securities' share in earnings	(2,308)	(3,685)	(1,409)
Net income, less participating securities' share in earnings	$ 372,376	$ 1,013,000	$ 288,384
Denominator:			
Basic weighted-average common shares	427,075	365,364	349,902
Dilutive potential common shares	1,224	907	539
Diluted weighted-average common shares	428,299	366,271	350,441

MPT Operating Partnership, L.P.

Our earnings per unit were calculated based on the following (amounts in thousands):

	For the Years Ended December 31,		
	2019	2018	2017
Numerator:			
Net income	$ 376,401	$ 1,018,477	$ 291,238
Non-controlling interests' share in earnings	(1,717)	(1,792)	(1,445)
Participating securities' share in earnings	(2,308)	(3,685)	(1,409)
Net income, less participating securities' share in earnings	$ 372,376	$ 1,013,000	$ 288,384
Denominator:			
Basic weighted-average units	427,075	365,364	349,902
Dilutive potential units	1,224	907	539
Diluted weighted-average units	428,299	366,271	350,441

7. Stock Awards

Stock Awards

Our Equity Incentive Plan, adopted during the second quarter of 2019 and replaced the previous plan, authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units, and awards of interests in our Operating Partnership. Our Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 12,900,000 shares of new common stock for awards under the Equity Incentive Plan, out of which 10,800,039 shares remain available for future stock awards as of December 31, 2019. The Equity Incentive Plan contains a limit of 5,000,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year. Awards under the Equity Incentive Plan are subject to forfeiture due to termination of employment prior to vesting and/or from not achieving the respective performance/market conditions. In the event of a change in control, outstanding and unvested options will immediately vest, unless otherwise provided in the participant's award or employment agreement, and restricted stock, restricted stock units, deferred stock units, and other stock-based awards will vest if so provided in the participant's award agreement. The term of the awards is set by the Compensation Committee, though Incentive Stock Options may not have terms of more than ten years. Forfeited awards are returned to the Equity Incentive Plan and are then available to be re-issued as future awards. For each share of common stock issued by Medical Properties Trust, Inc. pursuant to its Equity Incentive Plan, the Operating Partnership issues a corresponding number of Operating Partnership units.

For the past three years, we have only granted restricted stock and restricted stock units pursuant to our Equity Incentive Plan. These stock-based awards have been granted in the form of service-based awards, performance awards based on company-specific performance hurdles, and market-based awards. See below for further details on each of these stock-based awards:

Service-Based Awards

In 2019, 2018, and 2017, the Compensation Committee granted service-based awards to employees and non-employee directors. Service-based awards vest as the employee/director provides the required service (typically over three years). Dividends are generally paid on these awards prior to vesting.

Performance-Based Awards

In 2019, 2018, and 2017, the Compensation Committee granted performance-based awards to employees. Generally, dividends are not paid on performance awards until the award is earned. See below for details of such performance-based award grants:

2019 and 2018

In 2019 and 2018, a target number of stock awards were granted to employees that could be earned based on the achievement of specific performance thresholds as set by our Compensation Committee that included return on equity, EBITDA, and acquisitions. The performance thresholds were based on a three-year period with the opportunity to earn a portion of the award earlier. More or less shares than the target number of shares are available to be earned based on our performance compared to the set thresholds. At the end of each of the performance periods, any earned shares during such period will vest on January 1 of the following calendar year.

Certain performance awards granted in 2019 and 2018 were subject to a modifier (which increases or decreases the actual shares earned in each performance period) based on how our total shareholder return compared to the SNL U.S. REIT Healthcare Index (“SNL Index”).

2017

In 2017, a target number of stock awards were granted to certain employees that could be earned based on the achievement of specific performance thresholds as set by our Compensation Committee that included return on equity and general and administrative expenses as a percentage of revenue. The performance thresholds were based on a one-year period. More or less shares than the target number of shares were available to be earned based on our performance compared to the set thresholds. At the end of the performance period, any earned shares during such period vested ratably on an annual basis over the next three years starting on January 1, 2018.

Market-Based Awards

In 2017, the Compensation Committee granted three-types of market-based awards to certain employees. Generally, dividends are not paid on market-based awards until the award is earned.

The first award included a target number of stock awards that could be earned based on how our total shareholder return performed against the SNL Index for the year. More or less shares than the target number of shares were available to be earned based on our performance compared to the set thresholds. At the end of the performance period, any earned shares during such period vested ratably on an annual basis over the next three years starting on January 1, 2018. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of three years.

The second market-based award was based on the achievement of a multi-year cumulative total shareholder return as compared to pre-established returns set by our Compensation Committee. The performance period was five years ending December 31, 2021 with the option to earn a portion of the award earlier. At the end of the performance period, any earned shares during such period vest on January 1 of the following calendar year. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.9%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of five years.

The third market-based award could be earned based on how our total shareholder return performed against the SNL Index over a three-year period ending December 31, 2019. At the end of the performance period, any earned shares during such period vested ratably on an annual basis over the next three years starting on January 1, 2020. The fair value of this award was estimated on the grant date using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.5%; expected volatility of 25%; expected dividend yield of 6.9%; and expected service period of three years.

The following summarizes stock-based award activity in 2019 and 2018 (which includes awards granted in 2019, 2018, 2017, and any applicable prior years), respectively

For the Year Ended December 31, 2019:

	Vesting Based on Service			Vesting Based on Market/Performance Conditions		
	Shares	Weighted-Average Value at Award Date		Shares	Weighted-Average Value at Award Date	
Nonvested awards at beginning of the year	923,848	$	14.29	4,133,435	$	9.21
Awarded	681,378	$	19.24	2,438,292	$	15.25
Vested	(478,104)	$	14.73	(1,051,637)	$	10.43
Forfeited	(4,682)	$	13.44	(38,935)	$	10.13
Nonvested awards at end of year	1,122,440	$	17.11	5,481,155	$	11.66

For the Year Ended December 31, 2018:

	Vesting Based on Service			Vesting Based on Market/Performance Conditions		
	Shares	Weighted-Average Value at Award Date		Shares	Weighted-Average Value at Award Date	
Nonvested awards at beginning of the year	276,280	$	12.68	2,676,755	$	7.86
Awarded	958,480	$	14.31	1,750,834	$	11.61
Vested	(307,275)	$	12.92	(288,404)	$	11.25
Forfeited	(3,637)	$	13.05	(5,750)	$	9.35
Nonvested awards at end of year	923,848	$	14.29	4,133,435	$	9.21

The value of stock-based awards is charged to compensation expense over the service periods. For the years ended December 31, 2019, 2018, and 2017, we recorded $32.2 million, $16.5 million, and $9.9 million, respectively, of non-cash compensation expense. The remaining unrecognized cost from stock-based awards at December 31, 2019, is $53.2 million, which will be recognized over a weighted-average period of 1.6 years. Stock-based awards that vested in 2019, 2018, and 2017, had a value of $25.9 million, $8.4 million, and $10.4 million, respectively.

8. Commitments and Contingencies

Commitments

On December 23, 2019, we entered into definitive agreements to acquire a portfolio of 30 acute care hospitals located throughout the United Kingdom for approximately £1.5 billion from affiliates of BMI. In a related transaction, affiliates of Circle entered into definitive agreements to acquire BMI and assume operations of its 52 facilities in the United Kingdom. Upon closing of the transaction on January 8, 2020, we leased back the hospitals to affiliates of Circle under 30 cross-defaulted leases guaranteed by Circle. The leases have initial fixed terms ending in 2050, with two five-year extension options and annual inflation-based escalators. To help fund this acquisition, we entered into a five-year term loan for £700 million on January 6, 2020.

Contingencies

We are a party to various legal proceedings incidental to our business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to these proceedings is not presently expected to materially affect our financial position, results of operations, or cash flows.

9. Common Stock/Partner's Capital

Medical Properties Trust, Inc.

2019 Activity

On November 4, 2019, we filed Articles of Amendment to our charter with the Maryland State Department of Assessments and Taxation increasing the number of authorized shares of common stock, par value $0.001 per share, available for issuance from 500 million to 750 million.

On November 8, 2019, we completed an underwritten public offering of 57.5 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 7.5 million shares) of our common stock, resulting in net proceeds of $1.026 billion, after deducting underwriting discounts and commissions and offering expenses.

On July 18, 2019, we completed an underwritten public offering of 51.75 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 6.75 million shares) of our common stock, resulting in net proceeds of $858.1 million, after deducting underwriting discounts and commissions and offering expenses.

In 2019, we sold 36.1 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately $650 million.

On December 27, 2019, we entered into a new at-the-market equity offering program, which gives us the ability to sell up to $1.0 billion of stock with a commission rate up to 2.0%. Through February 21, 2020, we have sold 2.4 million shares of our common stock under this program.

2018 Activity

In the 2018 fourth quarter, we sold 5.6 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately $95 million.

2017 Activity

On May 1, 2017, we completed an underwritten public offering of 43.1 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 5.6 million shares) of our common stock, resulting in net proceeds of approximately $548 million, after deducting offering expenses.

MPT Operating Partnership, L.P.

At December 31, 2019, the Operating Partnership is made up of a general partner, Medical Properties Trust, LLC ("General Partner") and limited partners, including the Company (which owns 100% of the General Partner) and two other partners. By virtue of its ownership of the General Partner, the Company has a 99.9% ownership interest in Operating Partnership via its ownership of all the common units. The remaining ownership interest is held by two employees via awards ("LTIP units") granted in 2007 under the Equity Incentive Plan.

In regards to distributions, the Operating Partnership shall distribute cash at such times and in such amounts as are determined by the General Partner in its sole and absolute discretion, to common unit holders who are common unit holders on the record date. However, per the Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. ("Operating Partnership Agreement"), the General Partner shall use its reasonable efforts to cause the Operating Partnership to distribute amounts sufficient to enable the Company to pay stockholder dividends that will allow the Company to (i) meet its distribution requirement for qualification as a REIT and (ii) avoid any U.S. federal income or excise tax liability imposed by the Code, other than to the extent the Company elects to retain and pay income tax on its net capital gain. In accordance with the Operating Partnership Agreement, LTIP units are treated as common units for distribution purposes.

The Operating Partnership's net income will generally be allocated first to the General Partner to the extent of any cumulative losses and then to the limited partners in accordance with their respective percentage interests in the common units issued by the Operating Partnership. Any losses of the Operating Partnership will generally be allocated first to the limited partners until their capital account is zero and then to the General Partner. In accordance with the Operating Partnership Agreement, LTIP units are treated as common units for purposes of income and loss allocations. Limited partners have the right to require the Operating Partnership to redeem part or all of their common units. It is at the Operating Partnership's discretion to redeem such common units for cash based on the fair market value of an equivalent number of shares of the Company's common stock at the time of redemption or, alternatively, redeem the common units for shares of the Company's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, or similar events. LTIP units must wait two years from the issuance of the LTIP units to be redeemed, and then converted to common units. In 2018, approximately 60 thousand LTIP units were converted to common units and then redeemed for approximately $0.8 million of cash.

For each share of common stock issued by Medical Properties Trust, Inc., the Operating Partnership issues a corresponding number of operating partnership units.

10. Fair Value of Financial Instruments

We have various assets and liabilities that are considered financial instruments. We estimate that the carrying value of cash and cash equivalents and accounts payable and accrued expenses approximate their fair values. We estimate the fair value of our interest and rent receivables using Level 2 inputs such as discounting the estimated future cash flows using the current rates at which similar receivables would be made to others with similar credit ratings and for the same remaining maturities. The fair value of our mortgage loans and other loans are estimated by using Level 2 inputs such as discounting the estimated future cash flows using the current rates which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. We determine the fair value of our senior unsecured notes using Level 2 inputs such as quotes from securities dealers and market makers. We estimate the fair value of our revolving credit facility and term loans using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be a prudent management decision.

The following table summarizes fair value estimates for our financial instruments (in thousands):

	December 31, 2019		December 31, 2018	
Asset (Liability)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Interest and rent receivables	$ 31,357	$ 30,472	$ 25,855	$ 24,942
Loans(1)	1,704,854	1,742,153	1,471,520	1,490,758
Debt, net	(7,023,679)	(7,331,816)	(4,037,389)	(3,947,795)

(1) Excludes mortgage loans related to Ernest since they are recorded at fair value and discussed below.

Items Measured at Fair Value on a Recurring Basis

Our Ernest mortgage loans are measured at fair value on a recurring basis as we elected to account for these investments using the fair value option method in 2012 when we acquired an equity interest in and made an acquisition loan to Ernest. Such equity interest was sold and the acquisition loan was paid off in October 2018. We elected to account for these investments at fair value due to the size of the investments and because we believe this method was more reflected of current values. We have not made a similar election for other investments existing at December 31, 2019 or December 31, 2018.

At December 31, 2019 and 2018, the amounts recorded under the fair value option method were as follows (in thousands):

	As of December 31, 2019		As of December 31, 2018		
Asset (Liability)	**Fair Value**	**Original Cost**	**Fair Value**	**Original Cost**	**Asset Type Classification**
Mortgage loans	$ 115,000	$ 115,000	$ 115,000	$ 115,000	Mortgage loans

Our mortgage loans with Ernest are recorded at fair value based on Level 2 inputs by discounting the estimated cash flows using the market rates which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities.

Items Measured at Fair Value on a Nonrecurring Basis

In addition to items that are measured at fair value on a recurring basis, we have assets and liabilities that are measured at fair value on a nonrecurring basis, such as long-lived asset impairments (see Note 3). Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest by using either Level 2 or 3 inputs as more fully described in Note 2.

11. Leases (Lessee)

We lease the land underlying certain of our facilities (for which we sublease to our tenants), along with corporate office and equipment. Our leases have remaining lease terms ranging from 4.5 years to 54 years, and some of the leases include options to extend the leases up to, or just beyond, the depreciable life of the properties that occupy the leased land. Renewal options that we are reasonably certain to exercise are recognized in our right-of-use assets and lease liabilities. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments.

The following is a summary of our lease expense (in thousands):

	Income Statement Classification	For the Year Ended December 31, 2019
Operating lease cost (1)	(2)	$ 9,262
Finance lease cost:		
Amortization of right-of-use assets	Real estate depreciation and amortization	51
Interest on lease liabilities	Interest	117
Sublease income	Other	(3,478)
Total lease cost		$ 5,952

(1) Includes short-term leases.
(2) $5.8 million included in "Property-related", with the remainder reflected in the "General and administrative" line of our consolidated statements of net income.

For 2018 and 2017, our total lease expense was $9.4 million and $9.8 million, respectively, which was offset by sublease rental income of $4.3 million and $6.6 million, respectively.

Fixed minimum payments due over the remaining lease term under non-cancelable leases of more than one year and amounts to be received in the future from non-cancelable subleases over their remaining lease term at December 31, 2019 are as follows (amounts in thousands):

	Operating Leases	Finance Leases	Amounts To Be Received From Subleases	Net Payments
2020	$ 6,098	$ 125	$ (3,156)	$ 3,067
2021	6,279	126	(3,498)	2,907
2022	6,470	128	(3,630)	2,968
2023	6,533	129	(3,632)	3,030
2024	5,635	130	(3,651)	2,114
Thereafter	180,280	4,915	(90,199)	94,996 (1)
Total undiscounted minimum lease payments	$ 211,295	$ 5,553	$ (107,766)	$ 109,082
Less: interest	(134,942)	(3,621)		
Present value of lease liabilities	$ 76,353	$ 1,932		

(1) Reflects certain ground leases, in which we are the lessee, that have longer initial fixed terms than our existing sublease to our tenants. However, we would expect to either renew the related sublease, enter into a lease with a new tenant, or early terminate the ground lease to reduce or avoid any significant impact from such ground leases.

Supplemental balance sheet information is as follows (in thousands, except lease terms and discount rate):

	Balance Sheet Classification	December 31, 2019	
Right of use assets:			
Operating leases - real estate	Land	$	59,492
Finance leases - real estate	Land		1,888
Real estate right of use assets, net		$	61,380
Operating leases - corporate	Other assets		9,866
Total right of use assets, net		$	71,246
Lease liabilities:			
Operating leases	Obligations to tenants and other lease liabilities	$	76,353
Financing leases	Obligations to tenants and other lease liabilities		1,932
Total lease liabilities		$	78,285
Weighted-average remaining lease term:			
Operating leases			31.9
Finance leases			36.9
Weighted-average discount rate:			
Operating leases			6.3%
Finance leases			6.6%

The following is supplemental cash flow information (in thousands):

	For the Year Ended December 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	5,937
Operating cash flows from finance leases		114
Financing cash flows from finance leases		10
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases		1,818
Finance leases		—

12. Other Assets

The following is a summary of our other assets on our consolidated balance sheets (in thousands):

	At December 31,			
	2019		2018	
Debt issue costs, net(1)	$	2,492	$	4,793
Other corporate assets		206,765		115,416
Prepaids and other assets		90,342		61,757
Total other assets	$	299,599	$	181,966

(1) Relates to revolving credit facility

Other corporate assets include leasehold improvements associated with our corporate offices, furniture and fixtures, equipment, software, deposits, right-of-use assets associated with corporate leases, etc. Included in prepaids and other assets is prepaid insurance, prepaid taxes, deferred income tax assets (net of valuation allowances, if any), and lease inducements made to tenants, among other items.

In addition to the assets above, we have equity investments of $927 million and $520 million at December 31, 2019 and 2018, respectively. Our largest equity investment is in the joint venture with Primotop.

13. Quarterly Financial Data (unaudited)

Medical Properties Trust, Inc.

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2019 and 2018: (amounts in thousands, except for per share data)

	For the Three Month Periods in 2019 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 180,454	$ 192,549	$ 224,756	$ 256,438
Net income	76,291	79,920	90,267	129,923
Net income attributable to MPT common stockholders	75,822	79,438	89,786	129,638
Net income attributable to MPT common stockholders per share — basic	$ 0.20	$ 0.20	$ 0.20	$ 0.26
Weighted-average shares outstanding — basic	380,551	394,574	439,581	493,593
Net income attributable to MPT common stockholders per share — diluted	$ 0.20	$ 0.20	$ 0.20	$ 0.26
Weighted-average shares outstanding — diluted	381,675	395,692	440,933	494,893

	For the Three Month Periods in 2018 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 205,046	$ 201,902	$ 196,996	$ 180,578
Net income	91,043	112,017	736,476	78,941
Net income attributable to MPT common stockholders	90,601	111,567	736,034	78,483
Net income attributable to MPT common stockholders per share — basic	$ 0.25	$ 0.30	$ 2.01	$ 0.21
Weighted-average shares outstanding — basic	364,882	364,897	365,024	366,655
Net income attributable to MPT common stockholders per share —diluted	$ 0.25	$ 0.30	$ 2.00	$ 0.21
Weighted-average shares outstanding — diluted	365,343	365,541	366,467	367,732

MPT Operating Partnership, L.P.

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2019 and 2018: (amounts in thousands, except for per unit data)

	For the Three Month Periods in 2019 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 180,454	$ 192,549	$ 224,756	$ 256,438
Net income	76,291	79,920	90,267	129,923
Net income attributable to MPT Operating Partnership partners	75,822	79,438	89,786	129,638
Net income attributable to MPT Operating Partnership partners per unit — basic	$ 0.20	$ 0.20	$ 0.20	$ 0.26
Weighted-average units outstanding — basic	380,551	394,574	439,581	493,593
Net income attributable to MPT Operating Partnership partners per unit — diluted	$ 0.20	$ 0.20	$ 0.20	$ 0.26
Weighted-average units outstanding — diluted	381,675	395,692	440,933	494,893

	For the Three Month Periods in 2018 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 205,046	$ 201,902	$ 196,996	$ 180,578
Net income	91,043	112,017	736,476	78,941
Net income attributable to MPT Operating Partnership partners	90,601	111,567	736,034	78,483
Net income attributable to MPT Operating Partnership partners per unit — basic	$ 0.25	$ 0.30	$ 2.01	$ 0.21
Weighted-average units outstanding — basic	364,882	364,897	365,024	366,655
Net income attributable to MPT Operating Partnership partners per unit — diluted	$ 0.25	$ 0.30	$ 2.00	$ 0.21
Weighted-average units outstanding — diluted	365,343	365,541	366,467	367,732

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. *Controls and Procedures*

Medical Properties Trust, Inc.

(a) *Evaluation of Disclosure Controls and Procedures*. Medical Properties Trust, Inc. maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives. As required by Rule 13a-15(b) under the Exchange Act, the management of Medical Properties Trust, Inc., with the participation of its Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) *Management's Report on Internal Control over Financial Reporting*.

The management of Medical Properties Trust, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for Medical Properties Trust, Inc. (as such term is defined in Rule 13a-15(f) of the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Medical Properties Trust, Inc.'s financial statements for external reporting purposes in accordance with GAAP.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the internal control over financial reporting for Medical Properties Trust, Inc. as of December 31, 2019 based upon the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2019, the internal control over financial reporting for Medical Properties Trust, Inc. was effective.

The effectiveness of the internal control over financial reporting for Medical Properties Trust, Inc. as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

(c) *Changes in Internal Controls over Financial Reporting*. There has been no change in the internal control over financial reporting for Medical Properties Trust, Inc. during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

MPT Operating Partnership, L.P.

(a) *Evaluation of Disclosure Controls and Procedures*. MPT Operating Partnership, L.P. maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate, of Medical Properties Trust, Inc. (the sole general partner of MPT Operating Partnership, L.P.) to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives. As required by Rule 13a-15(b) under the Exchange Act, the management of MPT Operating Partnership, L.P., with the participation of the Chief Executive Officer and Chief Financial Officer of Medical Properties Trust, Inc. (the sole general partner of MPT Operating Partnership, L.P.), carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of Medical Properties Trust, Inc. (the sole general partner of MPT Operating Partnership, L.P.) concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) *Management's Report on Internal Control over Financial Reporting*.

The management of MPT Operating Partnership, L.P. is responsible for establishing and maintaining adequate internal control over financial reporting for MPT Operating Partnership, L.P. (as such term is defined in Rule 13a-15(f) of the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of MPT Operating Partnership, L.P.'s financial statements for external reporting purposes in accordance with GAAP.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has undertaken an assessment of the effectiveness of the internal control over financial reporting for MPT Operating Partnership, L.P. as of December 31, 2019, based upon the framework established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2019, the internal control over financial reporting for MPT Operating Partnership, L.P. was effective.

The effectiveness of the internal control over financial reporting for MPT Operating Partnership, L.P. as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

(c) *Changes in Internal Controls over Financial Reporting*. There has been no change in the internal control over financial reporting for MPT Operating Partnership, L.P. during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

ITEM 9B. ***Other Information***

None.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item 10 is incorporated by reference to our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2020.

ITEM 11. *Executive Compensation*

The information required by this Item 11 is incorporated by reference to our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2020.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item 12 is incorporated by reference to our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2020.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item 13 is incorporated by reference to our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2020.

ITEM 14. *Principal Accountant Fees and Services*

The information required by this Item 14 is incorporated by reference to our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 29, 2020.

ITEM 15. ***Exhibits and Financial Statement Schedules***

(a) Financial Statements and Financial Statement Schedules

Index of Financial Statements of Medical Properties Trust, Inc. and MPT Operating Partnership, L.P. which are included in Part II, Item 8 of this Annual Report on Form 10-K:

(b) Exhibits

Exhibit Number	Exhibit Title
3.1(1)	Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.2(3)	Articles of Amendment of Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.3(6)	Articles of Amendment of Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.4(19)	Articles of Amendment to Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.5(32)	Articles of Amendment to Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.6(33)	Articles of Amendment to Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.7(14)	Articles of Amendment to the Second Articles of Amendment and Restatement of Medical Properties Trust, Inc.
3.8(2)	Second Amended and Restated Bylaws of Medical Properties Trust, Inc.
3.9(32)	Amendment to Second Amended and Restated Bylaws of Medical Properties Trust, Inc.
3.10(40)	Amendment to Second Amended and Restated Bylaws of Medical Properties Trust, Inc.
3.11(41)	Amendment to Second Amended and Restated Bylaws of Medical Properties Trust, Inc.
3.12(46)	Amendment to Second Amended and Restated Bylaws of Medical Properties Trust, Inc.
4.1(1)	Form of Common Stock Certificate
4.2*	Description of Securities of Medical Properties Trust, Inc. Registered under Section 12 of the Securities Exchange Act, as amended
4.3(25)	Indenture, dated as of October 10, 2013, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.4(25)	First Supplemental Indenture to 2013 Indenture, dated as of October 10, 2013, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.5(26)	Second Supplemental Indenture to 2013 Indenture, dated as of October 30, 2013, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.6(26)	Third Supplemental Indenture to 2013 Indenture, dated as of December 20, 2013, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.7(28)	Fourth Supplemental Indenture to 2013 Indenture, dated as of March 31, 2014, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.8(29)	Fifth Supplemental Indenture to 2013 Indenture, dated as of April 17, 2014, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.9(27)	Sixth Supplemental Indenture to 2013 Indenture, dated as of June 30, 2014, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.10(31)	Seventh Supplemental Indenture to 2013 Indenture, dated as of October 3, 2014, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, the Subsidiary Guarantors and Wilmington Trust, N.A., as Trustee.
4.11(34)	Eighth Supplemental Indenture to 2013 Indenture, dated as of August 19, 2015, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., MPT Finance Corporation, Wilmington trust, N.A., as Trustee, Deutsche Bank Trust company Americas, as Paying Agent, and Deutsche Bank Luxembourg S.A., as Registrar and Transfer Agent.
4.12(36)	Ninth Supplemental Indenture, dated as of February 22, 2016, by and among MPT Operating Partnership, L.P. and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, and Wilmington Trust, National Association, as Trustee.
4.13(39)	Tenth Supplemental Indenture, dated as of July 22, 2016, by and among MPT Operating Partnership, L.P. and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, and Wilmington Trust, National Association, as Trustee.

Exhibit Number	Exhibit Title
4.14(42)	Eleventh Supplemental Indenture, dated as of March 24, 2017, by and among MPT Operating Partnership, L.P. and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, and Wilmington Trust, National Association, as Trustee, Deutsche Bank Trust Company Americas, as Paying Agent, Registrar and Transfer Agent.
4.15(45)	Twelfth Supplemental Indenture, dated as of September 21, 2017, by and among MPT Operating Partnership, L.P. and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, and Wilmington Trust, National Association, as trustee.
4.16(12)	Thirteenth Supplemental Indenture, dated as of July 26, 2019, by and among MPT Operating Partnership, L.P., and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, and Wilmington Trust, National Association, as trustee.
4.17(15)	Fourteenth Supplemental Indenture, dated as of December 5, 2019, by and among MPT Operating Partnership, L.P. and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, Wilmington Trust, National Association as trustee, Elavon Financial Services DAC, U.K. Branch as initial paying agent, and Elavon Financial Services DAC, as initial registrar and transfer agent.
4.18(15)	Fifteenth Supplemental Indenture, dated as of December 5, 2019, by and among MPT Operating Partnership, L.P. and MPT Finance Corporation, as issuers, Medical Properties Trust, Inc., as parent and guarantor, Wilmington Trust, National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as initial paying agent, and Elavon Financial Services DAC, as initial registrar and transfer agent.
10.1(11)	Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.
10.2(8)	Medical Properties Trust, Inc. 2013 Equity Incentive Plan***
10.3(10)	Medical Properties Trust, Inc. 2019 Equity Incentive Plan***
10.4(7)	Form of Stock Option Award***
10.5(7)	Form of Restricted Stock Award***
10.6(7)	Form of Deferred Stock Unit Award***
10.7(1)	Employment Agreement between Medical Properties Trust, Inc. and Edward K. Aldag, Jr., dated September 10, 2003***
10.8(1)	First Amendment to Employment Agreement between Medical Properties Trust, Inc. and Edward K. Aldag, Jr., dated March 8, 2004***
10.9(1)	Employment Agreement between Medical Properties Trust, Inc. and R. Steven Hamner, dated September 10, 2003***
10.10(1)	Employment Agreement between Medical Properties Trust, Inc. and Emmett E. McLean, dated September 10, 2003***
10.11(1)	Form of Indemnification Agreement between Medical Properties Trust, Inc. and executive officers and directors***
10.12(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (LTIP Units)***
10.13(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (Restricted Shares)***
10.14(16)	Second Amendment to Employment Agreement between Medical Properties Trust, Inc. and Edward K. Aldag, Jr., dated September 29, 2006***
10.15(16)	First Amendment to Employment Agreement between Medical Properties Trust, Inc. and R. Steven Hamner, dated September 29, 2006***
10.16(16)	First Amendment to Employment Agreement between Medical Properties Trust, Inc. and Emmett E. McLean, dated September 29, 2006***
10.17(17)	Second Amendment to Employment Agreement between Medical Properties Trust, Inc. and Emmett E. McLean, dated January 1, 2008***
10.18(17)	Third Amendment to Employment Agreement between Medical Properties Trust, Inc. and Emmett E. McLean, dated January 1, 2009***
10.19(17)	Second Amendment to Employment Agreement between Medical Properties Trust, Inc. and Richard S. Hamner, dated January 1, 2008***
10.20(17)	Third Amendment to Employment Agreement between Medical Properties Trust, Inc. and R. Steven Hamner, dated January 1, 2009***

Exhibit Number	Exhibit Title
10.21(17)	Third Amendment to Employment Agreement between Medical Properties Trust, Inc. and Edward K. Aldag, Jr., dated January 1, 2008***
10.22(17)	Fourth Amendment to Employment Agreement between Medical Properties Trust, Inc. and Edward K. Aldag, Jr., dated January 1, 2009***
10.23(22)	Master Lease Agreement I between certain subsidiaries of MPT Operating Partnership, LP, as Lessor, and certain subsidiaries of Prime Healthcare Services, Inc., as Lessee and related first amendment and Master Lease Agreement II between certain subsidiaries of MPT Operating Partnership, LP, as Lessor, and certain subsidiaries of Prime Healthcare Services, Inc., as Lessee and related first amendment.
10.24(33)	Form of Master Lease Agreement between certain subsidiaries of MPT Operating Partnership, L.P., as Lessor, and MEDIAN Kliniken S.a.r.l. and certain of its subsidiaries, as Lessee, and related first and second amendments.
10.25(38)	Amended and Restated Master Lease Agreement between certain subsidiaries of MPT Operating Partnership, L.P., as lessor and certain subsidiaries of Capella Holdings, Inc., as lessee.
10.26(42)	Master Lease Agreement by and among certain subsidiaries of MPT Operating Partnership, L.P. as Lessor and certain subsidiaries of Steward Health Care System LLC, Lessee.
10.27(42)	Real Estate Loan Agreement by and among certain subsidiaries of MPT Operating Partnership, L.P. as Lessor and certain subsidiaries of Steward Health Care System LLC, Lessee.
10.28(42)	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of February 1, 2017, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., the several lenders from time to time party thereto, Bank of America, N.A., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent.
10.29(44)	IASIS Master Agreement, dated as of May 18, 2017, by and among Steward Health Care System LLC and subsidiaries of MPT Operating Partnership, L.P.
10.30(44)	Real Property Asset Purchase Agreement, dated as of May 18, 2017, by and among IASIS Healthcare Corporation, as “IASIS”, and subsidiaries of IASIS, as the “Sellers”, and subsidiaries of MPT Operating Partnership, L.P., as the “MPT Parties”.
10.31(44)	Amendment to Master Lease Agreement, dated as of December 31, 2016, by and among certain Affiliates of MPT Operating Partnership, L.P. and certain Affiliates of Steward Health Care System LLC.
10.32(44)	Joinder and Amendment to Master Lease Agreement, dated as of May 1, 2017, by and among certain Affiliates of MPT Operating Partnership, L.P. and certain Affiliates of Steward Health Care System LLC.
10.33(44)	Amendment to Real Estate Loan Agreement, dated as of May 1, 2017, by and among certain Affiliates of MPT Operating Partnership, L.P. and certain Affiliates of Steward Health Care System LLC.
10.34(44)	Amendment to Master Lease Agreement, dated as of May 2, 2017, by and among certain Affiliates of MPT Operating Partnership, L.P. and certain Affiliates of Steward Health Care System LLC.
10.35(45)	Joinder and Amendment to Master Lease Agreement, dated as of September 29, 2017, by and among certain Affiliates of MPT Operating Partnership, L.P. and certain Affiliates of Steward Health Care System LLC.
10.36(45)	Joinder and Amendment to Real Estate Loan Agreement, dated as of September 29, 2017, by and among certain Affiliates of MPT Operating Partnership, L.P. and certain Affiliates of Steward Health Care System LLC.
10.37(47)	Amended and Restated Subscription Agreement dated as of June 7, 2018 by and among MPT Operating Partnership, L.P., Primotop Holding, S.a.r.l. and MPT RHM Holdco S.a.r.l.
10.38(5)	Syndicated Facility Agreement among MPT Operating Partnership, L.P. and Evolution Trustees Limited as Trustee of MPT Australia Realty Trust, as borrowers, Medical Properties Trust, Inc. and certain subsidiaries, as guarantors, the several lenders and other entities from time to time parties thereto, Bank of America, N.A, as administrative agent, and Citizens Bank, N.A., JPMorgan Change Bank, N.A., Suntrust Bank and Wells Fargo Bank, N.A., as co-syndication agents.
10.39(13)	Real Property Asset Purchase Agreement, dated as of July 10, 2019, by and among Prospect Medical Holdings, Inc., as “Prospect Medical Holdings”, and subsidiaries of Prospect Medical Holdings, as the “Prospect Medical Subsidiaries”, and subsidiaries of MPT Operating Partnership, L.P., as the “MPT Parties”.
21.1*	Subsidiaries of Medical Properties Trust, Inc.
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of PricewaterhouseCoopers LLP
23.3*	Consent of Ernst and Young LLP
23.4*	Consent of Ernst and Young LLP

Exhibit Number	Exhibit Title
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)
31.3*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
31.4*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Medical Properties Trust, Inc.)
32.2**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (MPT Operating Partnership, L.P.)
99.1(48)	Consolidated Financial Statements of Steward Health Care System LLC as of and for the years ended December 31, 2018 and 2017.
Exhibit 101.INS	Inline XBRL Instance Document
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page interactive data file (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.

* Filed herewith.
** Furnished herewith.
*** Management contract or compensatory plan or arrangement.
(1) Incorporated by reference to Registrant's Registration Statement on Form S-11 filed with the Commission on October 26, 2004, as amended (File No. 333-119957).
(2) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on November 24, 2009.
(3) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2005, filed with the Commission on November 10, 2005.
(4) Reserved.
(5) Incorporated by reference to Registrant's quarterly report on Form 10-Q, filed with the Commission on August 9, 2019.
(6) Incorporated by reference to the Registrant's current report on Form 8-K, filed with the Commission on January 13, 2009.
(7) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on October 18, 2005.
(8) Incorporated by reference to Registrant's annual report on Form 10-K, filed with the Commission on March 1, 2019.
(9) Reserved.
(10) Incorporated by reference to Medical Properties Trust, Inc.'s definitive Proxy Statement, filed with the Commission on April 26, 2019.
(11) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on August 6, 2007, as amended by Medical Properties Trust, Inc.'s current report on Form 8-K/A, filed with the Commission on August 15, 2007.
(12) Incorporated by reference to Registrants' joint current report on Form 8-K, filed with the Commission on July 29, 2019.
(13) Incorporated by reference to Registrant's quarterly report on Form 10-Q, filed with the Commission on November 12, 2019.
(14) Incorporated by reference to Registrants' joint current report on Form 8-K, filed with the Commission on November 8, 2019.
(15) Incorporated by reference to Registrants' joint current report on Form 8-K, filed with the Commission on December 11, 2019.
(16) Incorporated by reference to Registrant's annual report on Form 10-K/A for the period ended December 31, 2007, filed with the Commission on July 11, 2008.
(17) Incorporated by reference to Registrant's annual report on Form 10-K for the period ended December 31, 2008, filed with the Commission on March 13, 2009.
(18) Reserved.
(19) Incorporated by reference to Medical Properties Trust, Inc.'s current report on Form 8-K, filed with the Commission on January 31, 2012.

(20) Reserved.
(21) Reserved.
(22) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on November 9, 2012.
(23) Reserved.
(24) Reserved.
(25) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s current report on Form 8-K, filed with the Commission on October 16, 2013.
(26) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s annual report on Form 10-K, filed with the Commission on March 3, 2014.
(27) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on August 11, 2014.
(28) Incorporated by reference to Medical Properties Trust, Inc., MPT Operating Partnership, L.P. and MPT Finance Corporation’s post-effective amendment to registration statement on Form S-3, filed with the Commission on April 10, 2014.
(29) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s current report on Form 8-K, filed with the Commission on April 23, 2014.
(30) Reserved.
(31) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s annual report on Form 10-K, filed with the Commission on March 2, 2015.
(32) Incorporated by reference to Medical Properties Trust, Inc.’s current report on Form 8-K, filed with the Commission on June 26, 2015.
(33) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on August 10, 2015.
(34) Incorporated by reference to Medical Properties Trust, Inc.’s current report on Form 8-K, filed with the Commission on August 21, 2015.
(35) Reserved.
(36) Incorporated by reference to Registrant’s current report on Form 8-K, filed with the Commission on February 22, 2016.
(37) Reserved.
(38) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on May 10, 2016.
(39) Incorporated by reference to Medical Properties Trust, Inc.’s Current Report on Form 8-K filed with the Commission on July 22, 2016.
(40) Incorporated by reference to Medical Properties Trust, Inc.’s Current Report on Form 8-K filed with the Commission on November 16, 2016.
(41) Incorporated by reference to Medical Properties Trust, Inc.’s Current Report on Form 8-K filed with the Commission on February 22, 2017.
(42) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s annual report on Form 10-K, filed with the Commission on March 1, 2017.
(43) Reserved.
(44) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on August 9, 2017.
(45) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on November 9, 2017.
(46) Incorporated by reference to Medical Properties Trust, Inc.’s Current Report on Form 8-K filed with the Commission on May 25, 2018.
(47) Incorporated by reference to Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.’s quarterly report on Form 10-Q, filed with the Commission on August 9, 2018.
(48) Since affiliates of Steward Health Care System LLC leased more than 20% of our total assets under triple net leases as of December 31, 2018, the financial status of Steward may be relevant to investors. Steward’s audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 are attached as Exhibit 99.1 to this Annual Report on Form 10-K. We have not participated in the preparation of Steward’s financial statements nor do we have the right to dictate the form of any financial statements provided to us by Steward.

ITEM 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrants have duly caused this Report to be signed on their behalf by the undersigned, thereunto duly authorized.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ J. Kevin Hanna
J. Kevin Hanna
Vice President, Controller, and Chief Accounting Officer

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ J. Kevin Hanna
J. Kevin Hanna
Vice President, Controller, and Chief Accounting
Officer of the sole member of the general partner of MPT Operating
Partnership, L.P.

Date: February 26, 2020

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint J. Kevin Hanna and R. Steven Hamner, and each of them singly, as her or his true and lawful attorneys with full power to them, and each of them singly, to sign for such person and in her or his name in the capacity indicated below, the Annual Report on Form 10-K filed herewith and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in her or his name and in her or his capacity as officer and director to enable the registrants to comply with the provisions of the Exchange Act, and all requirements of the SEC in connection therewith, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Annual Report on Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Exchange Act, this report has been signed by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

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Signature	Title	Date
/s/ Edward K. Aldag, Jr. Edward K. Aldag, Jr.	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2020
/s/ R. Steven Hamner R. Steven Hamner	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)	February 26, 2020
/s/ G. Steven Dawson G. Steven Dawson	Director	February 26, 2020
/s/ Elizabeth N. Pitman Elizabeth N. Pitman	Director	February 26, 2020
/s/ D. Paul Sparks, Jr. D. Paul Sparks, Jr.	Director	February 26, 2020
/s/ Michael G. Stewart Michael G. Stewart	Director	February 26, 2020
/s/ C. Reynolds Thompson, III C. Reynolds Thompson, III	Director	February 26, 2020

Schedule II: Valuation and Qualifying Accounts
Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.
December 31, 2019

Year Ended December 31,	Balance at Beginning of Year(1)	Additions: Charged Against Operations(1)		Deductions: Net Recoveries/ Write-offs(1)		Balance at End of Year(1)
	(In thousands)					
2019	$ 66,131	$ 50,893	(2)	$ (7,221)	(3)	$ 109,803
2018	$ 16,397	$ 57,285	(4)	$ (7,551)	(5)	$ 66,131
2017	$ 18,852	$ 2,525	(6)	$ (4,980)	(7)	$ 16,397

(1) Includes real estate impairment reserves, allowance for doubtful accounts, straight-line rent reserves, allowance for loan losses, tax valuation allowances and other reserves.

(2) Represents $21.0 million increase to real estate impairment reserves, $22.0 million increase in accounts receivable and other reserves, and a $7.9 million increase in our tax valuation allowance to reserve against an increase in our net deferred tax assets in 2019.

(3) Includes $7.2 million decrease in real estate impairment reserve related to disposals in 2019.

(4) Represents $48 million increase to real estate impairment reserve and $9.3 million increases in accounts receivable reserves during 2018.

(5) Includes $7.7 million decrease in valuation allowance (which includes the $4.4 million release of domestic valuation allowances in the 2018 fourth quarter) that was originally recorded to reserve against our net deferred tax assets.

(6) Represents increases in accounts receivable reserves during 2017.

(7) Includes $4.9 million decrease in valuation allowance that was originally recorded to reserve against our net deferred tax assets.

SCHEDULE III — REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
December 31, 2019

		Initial Costs		Additions Subsequent to Acquisition		Cost at December 31, 2019(1)			Accumulated				Life on which depreciation in latest income statements is
Location	**Type of Property**	**Land**	**Buildings**	**Improve-ments**	**Carrying Costs**	**Land**	**Buildings**	**Total**	**Depreciation**	**Encum-brances**	**Date of Construction**	**Date Acquired**	**computed (Years)**
						(Dollar amounts in thousands)							
Ashtead, UK	Acute care general hospital	$ 38,324	$ 73,722	$ 998	$ —	$ 39,322	$ 73,722	$ 113,044	$ 642	$ —	1981	August 16, 2019	40
Bassenheim, Germany	Rehabilitation hospital	998	5,372	168	—	1,166	5,372	6,538	136	—	1887, 1983	February 9, 2019	40
Bath, UK	Acute care general hospital	1,571	32,569	—	—	1,571	32,569	34,140	4,478	—	2008, 2009	July 1, 2014	40
Birmingham, UK	Acute care general hospital	9,313	—	—	—	9,313	—	9,313	—	—	2017	April 3, 2017	—
Braunfels, Germany	Acute care general hospital	2,153	13,761	56	—	2,209	13,761	15,970	1,565	—	1977	June 30, 2015	40
Heidelberg, Germany	Rehabilitation hospital	6,262	36,187	73	—	6,335	36,187	42,522	3,183	—	1885, 1991	June 22, 2016	40
Cologne, Germany	Acute care general hospital	4,394	15,201	101	—	4,495	15,201	19,696	967	—	2011	June 23, 2017	40
Bad Salzuflen, Germany	Rehabilitation hospital	9,752	27,000	917	—	10,669	27,000	37,669	1,534	—	1974, 2016	November 30, 2017	40
Bad Salzuflen, Germany	Rehabilitation hospital	6,905	23,745	345	—	7,250	23,745	30,995	1,285	—	1989, 2016	November 30, 2017	40
Bad Oeynhausen, Germany	Rehabilitation hospital	1,019	2,795	124	—	1,143	2,795	3,938	163	—	1973, 2010	November 30, 2017	40
Dormagen, Germany	Rehabilitation hospital	1,802	5,737	137	—	1,939	5,737	7,676	203	—	1993, 2006	August 28, 2018	40
Grefath, Germany	Rehabilitation hospital	1,120	3,076	99	—	1,219	3,076	4,295	111	—	1886, 1983	August 28, 2018	40
Remscheid, Germany	Rehabilitation hospital	1,007	2,567	58	—	1,065	2,567	3,632	91	—	1951, 1983	August 28, 2018	40
Houston, TX	Acute care general hospital	3,501	34,530	8,477	16,589	3,274	59,823	63,097	14,583	—	1960	August 10, 2007	40
Allen, TX	Freestanding ER	1,550	414	—	—	1,550	414	1,964	465	—	2014	July 14, 2014	40
San Diego, CA	Acute care general hospital	12,663	52,431	—	—	12,663	52,431	65,094	11,688	—	1973	February 9, 2011	40
Alvin, TX	Freestanding ER	105	4,087	—	—	105	4,087	4,192	564	—	2014	March 19, 2014	40
Houston, TX	Freestanding ER	950	3,996	—	—	950	3,996	4,946	325	—	2016	September 26, 2016	40
Aurora, CO	Freestanding ER	2,989	4,812	—	—	2,989	4,812	7,801	511	—	2015	September 17, 2015	40
Ft. Worth, TX	Freestanding ER	2,782	4,392	—	—	2,782	4,392	7,174	522	—	2015	March 27, 2015	40
Ayer, MA	Acute care general hospital	9,048	77,913	2,299	—	9,048	80,212	89,260	2,768	—	1970-2013	June 27, 2018	47
Bennettsville, SC	Acute care general hospital	794	15,773	—	—	794	15,773	16,567	4,525	—	1984	April 1, 2008	42
Big Spring, TX	Acute care general hospital	1,655	21,254	—	—	1,655	21,254	22,909	453	—	1973	April 12, 2019	41
Blue Springs, MO	Acute care general hospital	4,347	23,494	—	—	4,347	23,494	27,841	3,034	—	1980	February 13, 2015	40
Boardman, OH	Long term acute care hospital	79	275	—	—	79	275	354	3	—	2008	August 30, 2019	40
Boise, ID	Long term acute care hospital	1,558	11,027	—	—	1,558	11,027	12,585	403	—	2008	February 29, 2012	50
Bossier City, LA	Long term acute care hospital	900	17,818	800	—	900	18,618	19,518	5,255	—	1982	April 1, 2008	40
Bowling Green, KY	Rehabilitation hospital	3,486	56,296	—	—	3,486	56,296	59,782	523	—	1992	August 30, 2019	40
Brighton, MA	Acute care general hospital	18,540	146,491	39,036	—	18,540	185,527	204,067	12,301	—	1917-2009	October 3, 2016	41
Brockton, MA	Acute care general hospital	18,328	67,248	4,937	—	18,328	72,185	90,513	7,037	—	1965-2010	October 3, 2016	41
Austin, TX	Freestanding ER	1,140	1,693	—	—	1,140	1,693	2,833	483	—	2014	May 29, 2014	40
Broomfield, CO	Freestanding ER	825	3,895	—	—	825	3,895	4,720	536	—	2014	July 3, 2014	40
Bundoora, Australia	Acute care general hospital	6,432	61,961	276	—	6,708	61,961	68,669	995	—	1979	June 7, 2019	37
Casper, WY	Rehabilitation hospital	1,888	—	—	—	1,888	—	1,888	0	—	2012	February 29, 2012	—
Glendale, AZ	Freestanding ER	1,144	6,087	—	—	1,144	6,087	7,231	482	—	2016	October 21, 2016	40

Location	Type of Property	Initial Costs Land	Initial Costs Buildings	Additions Subsequent to Acquisition Improve-ments	Additions Subsequent to Acquisition Carrying Costs	Cost at December 31, 2019(1) Land	Cost at December 31, 2019(1) Buildings	Cost at December 31, 2019(1) Total	Accumulated Depreciation	Encum-brances	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed (Years)
		(Dollar amounts in thousands)											
New Orleans, LA	Freestanding ER	2,850	6,125	—	—	2,850	6,125	8,975	498	—	2016	September 23, 2016	40
Campbelltown, Australia	Acute care general hospital	1,019	52,932	50	—	1,069	52,932	54,001	774	—	2007	June 7, 2019	40
Carrollton, TX	Acute care general hospital	729	34,342	222	—	729	34,564	35,293	3,817	—	2015	July 17, 2015	40
Caterham, UK	Acute care general hospital	10,596	21,707	391	—	10,987	21,707	32,694	192	—	1982	August 16, 2019	40
Cedar Hill. TX	Freestanding ER	1,122	3,644	—	—	1,122	3,644	4,766	501	—	2014	June 23, 2014	40
Spring, TX	Freestanding ER	1,310	3,639	—	—	1,310	3,639	4,949	500	—	2014	July 15, 2014	40
Chandler, AZ	Freestanding ER	3,732	4,783	—	—	3,732	4,783	8,515	558	—	2015	April 24, 2015	40
Chandler, AZ	Freestanding ER	750	3,853	—	—	750	3,853	4,603	409	—	2015	October 7, 2015	40
Cheraw, SC	Acute care general hospital	657	19,576	—	—	657	19,576	20,233	5,616	—	1982	April 1, 2008	42
Crown Point, IN	Long term acute care hospital	302	528	—	—	302	528	830	6	—	2008	August 30, 2019	40
Katy, TX	Freestanding ER	2,245	3,873	—	—	2,245	3,873	6,118	403	—	2015	October 21, 2015	40
Webster, TX	Long term acute care hospital	663	33,751	—	—	663	33,751	34,414	7,594	—	2004	December 21, 2010	40
Commerce City, TX	Freestanding ER	707	4,248	—	—	707	4,248	4,955	540	—	2014	December 11, 2014	40
Conroe, TX	Freestanding ER	1,338	3,712	—	—	1,338	3,712	5,050	410	—	2015	July 29, 2015	40
Converse, TX	Freestanding ER	750	4,423	—	—	750	4,423	5,173	525	—	2015	April 10, 2015	40
The Woodlands, TX	Freestanding ER	2,050	4,524	—	—	2,050	4,524	6,574	424	—	2016	March 28, 2016	40
Houston, TX	Freestanding ER	1,903	4,267	—	—	1,903	4,267	6,170	325	—	2017	May 8, 2017	35
Dallas, TX	Long term acute care hospital	1,000	13,589	—	368	1,421	13,536	14,957	4,512	—	2006	September 5, 2006	40
Denver, CO	Freestanding ER	1,314	4,276	—	—	1,314	4,276	5,590	490	—	2015	June 8, 2015	40
DeSoto, TX	Freestanding ER	750	4,234	—	—	750	4,234	4,984	379	—	2016	May 23, 2016	40
Detroit, MI	Long term acute care hospital	1,220	8,687	—	(364)	1,220	8,323	9,543	2,480	—	1956	May 22, 2008	40
San Antonio, TX	Freestanding ER	3,267	4,801	—	—	3,267	4,801	8,068	370	—	2016	December 9, 2016	40
Dodge City, KS	Acute care general hospital	1,124	52,705	—	—	1,124	52,705	53,829	—	—	1976	December 17, 2019	40
Dorchester, MA	Acute care general hospital	14,428	219,575	6,638	—	14,428	226,213	240,641	6,885	—	1953-2015	October 15, 2018	42
Dulles, TX	Freestanding ER	1,076	3,784	—	—	1,076	3,784	4,860	504	—	2014	September 12, 2014	40
Easton, PA	Acute care general hospital	13,898	40,245	5,511	—	13,898	45,756	59,654	2,948	—	1930-2005	May 1, 2017	41
Euxton, UK	Acute care general hospital	3,964	37,028	844	—	4,808	37,028	41,836	332	—	1981	August 16, 2019	40
Houston, TX	Freestanding ER	1,345	3,678	—	—	1,345	3,678	5,023	506	—	2014	June 20, 2014	40
Fairmont, CA	Acute care general hospital	1,000	6,072	5,278	—	1,277	11,073	12,350	2,044	—	1939, 1972, 1985	September 19, 2014	40
Fall River, MA	Acute care general hospital	3,526	82,358	24,463	—	3,526	106,821	110,347	7,843	—	1950-2012	October 3, 2016	41
Firestone, TX	Freestanding ER	495	3,963	—	—	495	3,963	4,458	553	—	2014	June 6, 2014	40
Flagstaff, AZ	Rehabilitation hospital	3,049	22,464	—	—	3,049	22,464	25,513	1,030	—	2016	August 23, 2016	40
Florence, AZ	Acute care general hospital	900	28,462	105	—	900	28,567	29,467	5,531	—	2012	February 7, 2012	40
Folsom, CA	Long term acute care hospital	3,291	21,293	—	—	3,291	21,293	24,584	211	—	2009	August 30, 2019	40
Fort Lauderdale, FL	Rehabilitation hospital	3,499	21,939	—	1	3,499	21,940	25,439	6,412	—	1985	April 22, 2008	40
Fountain, CO	Freestanding ER	1,508	4,131	—	—	1,508	4,131	5,639	559	—	2014	July 31, 2014	40
Fresno, CA	Rehabilitation hospital	5,507	70,564	—	—	5,507	70,564	76,071	633	—	1991	August 30, 2019	40
Frisco, TX	Freestanding ER	1,500	3,863	27	(89)	1,411	3,890	5,301	543	—	2014	June 13, 2014	40
Garden Grove, CA	Acute care general hospital	5,502	10,748	—	51	5,502	10,799	16,301	3,006	—	1982	November 25, 2008	40
Garland, TX	Freestanding ER	2,643	4,648	—	—	2,643	4,648	7,291	368	—	2016	November 15, 2016	40
Garden Grove, CA	Medical Office Building	862	7,888	—	28	862	7,916	8,778	2,198	—	1982	November 25, 2008	40
Gilbert, AZ	Acute care general hospital	150	10,449	—	—	150	10,449	10,599	3,499	—	2005	January 4, 2011	40
Gilbert, AZ	Freestanding ER	1,517	4,661	—	—	1,517	4,661	6,178	515	—	2015	July 22, 2015	40
Glen Waverly, Australia	Rehabilitation hospital	29,739	22,976	807	—	30,546	22,976	53,522	478	—	1972	June 7, 2019	32
Glendale, AZ	Freestanding ER	1,248	4,046	—	—	1,248	4,046	5,294	464	—	2015	June 5, 2015	40

Location	Type of Property	Initial Costs		Additions Subsequent to Acquisition		Cost at December 31, 2019(1)			Accumulated	Encum-	Date of	Date	Life on which depreciation in latest income statements is
		Land	Buildings	Improve-ments	Carrying Costs	Land	Buildings	Total	Depreciation	brances	Construction	Acquired	computed (Years)
						(Dollar amounts in thousands)							
Gloucester, UK	Acute care general hospital	4,770	63,907	1,041	—	5,811	63,907	69,718	564	—	1990	August 16, 2019	40
Goodyear, AZ	Freestanding ER	1,800	4,713	—	—	1,800	4,713	6,513	442	—	2016	April 4, 2016	40
Halsall, UK	Acute care general hospital	1,493	32,446	605	—	2,098	32,446	34,544	287	—	1986	August 16, 2019	40
Hartsville, SC	Acute care general hospital	2,050	43,970	—	—	2,050	43,970	46,020	5,263	—	1999	August 31, 2015	34
Hastings, PA	Acute care general hospital	603	8,834	—	—	603	8,834	9,437	—	—	1924	December 17, 2019	30
Hausman, TX	Acute care general hospital	1,500	8,957	—	—	1,500	8,957	10,457	1,509	—	2013	March 1, 2013	40
Haverhill, MA	Acute care general hospital	5,651	105,848	3,384	—	5,651	109,232	114,883	3,794	—	1982-2005	August 31, 2018	40
Helotes, TX	Freestanding ER	1,900	5,115	—	—	1,900	5,115	7,015	490	—	2016	March 10, 2016	40
Highland Village, TX	Freestanding ER	3,501	1,551	—	—	3,501	1,551	5,052	344	—	2015	September 22, 2015	40
Hill County, TX	Acute care general hospital	1,120	17,882	—	—	1,120	17,882	19,002	11,089	—	1980	September 17, 2010	15
Warren, OH	Rehabilitation hospital	2,417	15,857	1,384	—	2,417	17,241	19,658	1,440	—	1922-2000	May 1, 2017	46
Hoover, AL	Freestanding ER	—	7,581	—	—	—	7,581	7,581	1,033	—	2015	May 1, 2015	34
Hoover, AL	Medical Office Building	—	1,034	296	—	—	1,330	1,330	148	—	2015	May 1, 2015	34
Hope, AR	Acute care general hospital	1,651	3,359	2,274	—	1,651	5,633	7,284	418	—	1984-2001	September 29, 2017	41
Hot Springs, AR	Acute care general hospital	7,100	59,432	21,221	—	7,100	80,653	87,753	8,904	—	1985	August 31, 2015	40
Houston, TX	Acute care general hospital	28,687	104,028	17,462	—	28,687	121,490	150,177	3,695	—	1940-1950	September 29, 2017	41
Highlands Ranch, CO	Freestanding ER	4,200	4,779	—	—	4,200	4,779	8,979	408	—	2016	July 25, 2016	40
Idaho Falls, ID	Acute care general hospital	1,822	37,467	8,235	4,665	1,822	50,367	52,189	12,258	—	2002	April 1, 2008	40
Johnstown, PA	Acute care general hospital	8,877	247,042	—	—	8,877	247,042	255,919	—	—	1924	December 17, 2019	30
Kansas City, KS	Acute care general hospital	2,351	13,665	—	—	2,351	13,665	16,016	172	—	2017	June 10, 2019	50
Kansas City, MO	Acute care general hospital	10,497	64,419	—	—	10,497	64,419	74,916	8,071	—	1978	February 13, 2015	40
Katy, TX	Freestanding ER	1,629	4,174	—	—	1,629	4,174	5,803	339	—	2016	October 10, 2016	40
Kingswood, Australia	Acute care general hospital	23,473	77,806	453	—	23,926	77,806	101,732	1,155	—	2000	June 7, 2019	40
Camden, SC	Acute care general hospital	—	22,739	—	—	—	22,739	22,739	2,138	—	1954-2004	October 30, 2015	39
Lafayette, IN	Rehabilitation hospital	800	14,968	(25)	—	800	14,943	15,743	2,572	—	2013	February 1, 2013	40
Lafayette, LA	Long term acute care hospital	599	1,401	—	—	599	1,401	2,000	17	—	1995	August 30, 2019	40
Lander, WY	Acute care general hospital	761	42,849	—	—	761	42,849	43,610	—	—	1983	December 17, 2019	40
Lawton, OK	Acute care general hospital	3,944	63,031	—	—	3,944	63,031	66,975	—	—	1985	December 17, 2019	40
Leawood, KS	Acute care general hospital	2,513	13,938	—	—	2,513	13,938	16,451	175	—	2017	June 10, 2019	50
Lehi, UT	Acute care general hospital	13,403	29,950	601	(35)	13,368	30,551	43,919	2,000	—	2015	September 29, 2017	45
Lewiston, ID	Acute care general hospital	5,389	75,435	—	—	5,389	75,435	80,824	6,802	—	1922	May 1, 2017	40
Little Elm, TX	Freestanding ER	1,241	3,491	—	—	1,241	3,491	4,732	528	—	2013	December 1, 2013	40
Liverpool, Australia	Acute care general hospital	13,327	41,769	93	—	13,420	41,769	55,189	817	—	1975	June 7, 2019	30
Longmont, CO	Freestanding ER	1,855	4,181	—	—	1,855	4,181	6,036	409	—	2016	February 10, 2016	40
Lubbock, TX	Rehabilitation hospital	1,376	28,292	3,648	—	1,376	31,940	33,316	3,469	—	2008	June 16, 2015	40
Mandeville, LA	Freestanding ER	2,800	5,370	—	—	2,800	5,370	8,170	425	—	2016	October 28, 2016	40
Marrero, LA	Freestanding ER	1,658	5,801	—	—	1,658	5,801	7,459	508	—	2016	July 15, 2016	40
Martin's Ferry, OH	Acute care general hospital	1,380	4,620	—	—	1,380	4,620	6,000	—	—	1920, 1944-2004	June 1, 2017	8
McKinney, TX	Freestanding ER	2,775	4,060	—	—	2,775	4,060	6,835	603	—	2015	July 31, 2015	30
McMinnville, OR	Acute care general hospital	5,000	97,900	—	—	5,000	97,900	102,900	9,146	—	1996	August 31, 2015	41
Melbourne, FL	Acute care general hospital	5,642	17,087	2,686	—	5,642	19,773	25,415	1,522	—	2002	May 1, 2017	42
Mesa, AZ	Acute care general hospital	6,534	100,042	1,885	—	6,534	101,927	108,461	16,494	—	2007	September 26, 2013	40
Meyersdale, PA	Acute care general hospital	390	4,280	—	—	390	4,280	4,670	—	—	1960	December 17, 2019	30
Milwaukee, WI	Long term acute care hospital	558	1,442	—	—	558	1,442	2,000	15	—	1983	August 30, 2019	40
Mount Pleasant, SC	Long term acute care hospital	597	2,198	—	—	597	2,198	2,795	21	—	2012	August 30, 2019	40

		Initial Costs		Additions Subsequent to Acquisition		Cost at December 31, 2019(1)			Accumulated				Life on which depreciation in latest income statements is
Location	Type of Property	Land	Buildings	Improve-ments	Carrying Costs	Land	Buildings	Total	Depreciation	Encum-brances	Date of Construction	Date Acquired	computed (Years)
						(Dollar amounts in thousands)							
Phoenix, AZ	Acute care general hospital	5,576	45,782	—	—	5,576	45,782	51,358	3,338	—	2017	February 10, 2017	40
Methuen, MA	Acute care general hospital	23,809	89,505	9,184	—	23,809	98,689	122,498	8,500	—	1950-2011	October 3, 2016	41
Bloomington, IN	Acute care general hospital	2,392	28,212	5,016	408	2,392	33,636	36,028	10,877	—	2006	August 8, 2006	40
Montclair, NJ	Acute care general hospital	7,900	99,640	577	—	8,477	99,640	108,117	14,741	—	1920-2000	April 1, 2014	40
San Antonio, TX	Freestanding ER	351	3,952	—	—	351	3,952	4,303	567	—	2014	January 1, 2014	40
Colorado Springs, CO	Freestanding ER	600	4,231	—	—	600	4,231	4,831	591	—	2014	June 5, 2014	40
Northland, MO	Long term acute care hospital	834	17,182	—	—	834	17,182	18,016	3,830	—	2007	February 14, 2011	40
Norwood, MA	Acute care general hospital	7,073	154,496	27,385	—	7,073	181,881	188,954	5,392	—	1926-2001	June 27, 2018	46
Altoona, WI	Acute care general hospital	—	29,062	—	—	—	29,062	29,062	3,875	—	2014	August 31, 2014	40
Odessa, TX	Acute care general hospital	6,535	123,518	1,961	—	6,535	125,479	132,014	7,122	—	1973-2004	September 29, 2017	41
Ogden, UT	Rehabilitation hospital	1,759	16,414	—	—	1,759	16,414	18,173	2,382	—	2014	March 1, 2014	40
Olathe, KS	Acute care general hospital	3,485	14,484	—	—	3,485	14,484	17,969	183	—	2018	June 10, 2019	50
Olympia, WA	Acute care general hospital	7,220	89,348	15,930	—	7,220	105,278	112,498	8,935	—	1984	July 22, 2016	40
Ottumwa, IA	Acute care general hospital	2,377	48,697	—	—	2,377	48,697	51,074	—	—	1950	December 17, 2019	30
Overland Park, KS	Acute care general hospital	2,974	14,405	—	—	2,974	14,405	17,379	183	—	2017	June 10, 2019	50
Overland Park, KS	Acute care general hospital	3,191	14,264	—	—	3,191	14,264	17,455	191	—	2019	June 10, 2019	50
Overlook, TX	Acute care general hospital	2,452	9,666	7	—	2,452	9,673	12,125	1,654	—	2012	February 1, 2013	40
Palestine, TX	Acute care general hospital	1,848	95,258	—	—	1,848	95,258	97,106	—	—	1988	December 17, 2019	40
San Diego, CA	Acute care general hospital	6,550	15,653	—	77	6,550	15,730	22,280	4,979	—	1964	May 9, 2007	40
Parker, CO	Freestanding ER	1,300	4,448	—	—	1,300	4,448	5,748	463	—	2015	November 6, 2015	40
Pasco, WA	Acute care general hospital	2,594	13,195	—	—	2,594	13,195	15,789	601	—	1920	August 31, 2018	30
Pearland, TX	Freestanding ER	1,075	3,577	—	—	1,075	3,577	4,652	477	—	2014	September 8, 2014	40
Perth, Australia	Acute care general hospital	102,488	36,399	213	—	102,701	36,399	139,100	723	—	1965	June 7, 2019	30
Petersburg, VA	Rehabilitation hospital	1,302	9,121	—	—	1,302	9,121	10,423	2,622	—	2006	July 1, 2008	40
Phoenix, AZ	Acute care general hospital	2,396	26,521	12,253	—	2,396	38,774	41,170	1,583	—	1979	September 29, 2017	42
Phoenix, AZ	Acute care general hospital	12,695	73,773	4,978	—	12,695	78,751	91,446	4,580	—	1968-1976	September 29, 2017	43
Plano, TX	Freestanding ER	4,418	2,492	—	—	4,418	2,492	6,910	316	—	2016	September 30, 2016	40
Poole, UK	Acute care general hospital	1,883	39,969	538	—	2,421	39,969	42,390	776	—	1996	April 3, 2019	40
Poplar Bluff, MO	Acute care general hospital	2,659	38,693	—	1	2,659	38,694	41,353	11,309	—	1980	April 22, 2008	40
Port Arthur, TX	Acute care general hospital	12,972	78,051	3,384	—	12,972	81,435	94,407	12,241	—	2005	September 26, 2013	40
Port Huron, MI	Acute care general hospital	2,531	14,252	—	—	2,531	14,252	16,783	1,947	—	1953, 1973-1983	December 31, 2015	30
Post Falls, ID	Rehabilitation hospital	417	12,175	1,905	—	767	13,730	14,497	2,069	—	2013	December 31, 2013	40
San Antonio, TX	Freestanding ER	2,525	4,253	—	—	2,525	4,253	6,778	337	—	2016	October 27, 2016	40
Reading, UK	Acute care general hospital	35,747	48,080	486	—	36,233	48,080	84,313	419	—	1990	August 16, 2019	40
Redding, CA	Acute care general hospital	1,555	53,863	—	13	1,555	53,876	55,431	16,732	—	1974	August 10, 2007	40
Richmond, VA	Long term acute care hospital	1,307	10,071	—	—	1,307	10,071	11,378	109	—	1989	August 30, 2019	40
Ringwood, Australia	Acute care general hospital	4,027	18,679	134	—	4,161	18,679	22,840	321	—	1973	June 7, 2019	35
Riverton, WY	Acute care general hospital	1,163	29,647	—	—	1,163	29,647	30,810	—	—	1983	December 17, 2019	36
Austin, TX	Freestanding ER	3,846	4,200	—	—	3,846	4,200	8,046	330	—	2017	March 2, 2017	40
Roaring Springs, PA	Acute care general hospital	1,447	9,549	—	—	1,447	9,549	10,996	—	—	1924	December 17, 2019	30
Rochdale, MA	Long term acute care hospital	654	3,368	—	—	654	3,368	4,022	33	—	1989	August 30, 2019	40
Rochdale, MA	Acute care general hospital	67	344	—	—	67	344	411	3	—	1989	August 30, 2019	40
Rockledge, FL	Acute care general hospital	13,919	23,282	5,512	—	13,919	28,794	42,713	2,404	—	1950, 1970	May 1, 2017	42
Roeland Park, KS	Acute care general hospital	1,569	15,103	—	—	1,569	15,103	16,672	188	—	2018	June 10, 2019	50

Location	Type of Property	Initial Costs Land	Initial Costs Buildings	Additions Subsequent to Acquisition Improve-ments	Additions Subsequent to Acquisition Carrying Costs	Cost at December 31, 2019(1) Land	Cost at December 31, 2019(1) Buildings	Cost at December 31, 2019(1) Total	Accumulated Depreciation	Encum-brances	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed (Years)
						(Dollar amounts in thousands)							
Rosenberg, TX	Freestanding ER	1,331	4,505	—	—	1,331	4,505	5,836	450	—	2016	January 15, 2016	40
Rowley, UK	Acute care general hospital	2,439	19,057	590	—	3,029	19,057	22,086	174	—	1986	August 16, 2019	40
Columbus, OH	Freestanding ER	1,726	—	—	—	1,726	—	1,726	—	—	2016	August 30, 2016	-
Salt Lake City, UT	Acute care general hospital	13,590	101,915	15,109	—	13,590	117,024	130,614	5,822	—	1906-1987	September 29, 2017	41
San Antonio, TX	Acute care general hospital	8,053	29,333	1,945	—	8,053	31,278	39,331	1,868	—	1978-2002	September 29, 2017	41
San Bernardino, CA	Acute care general hospital	2,209	37,498	—	—	2,209	37,498	39,707	341	—	1993	August 30, 2019	40
San Dimas, CA	Acute care general hospital	6,160	6,839	—	34	6,160	6,873	13,033	1,907	—	1972	November 25, 2008	40
San Dimas, CA	Medical Office Building	1,915	5,085	—	18	1,915	5,103	7,018	1,417	—	1979	November 25, 2008	40
Phoenix, AZ	Freestanding ER	1,132	5,052	—	—	1,132	5,052	6,184	347	—	2017	April 13, 2017	40
Sebastian, FL	Acute care general hospital	5,733	49,136	38,272	—	5,733	87,408	93,141	3,736	—	1974	May 1, 2017	41
Sharon, PA	Acute care general hospital	6,179	9,066	6,435	—	6,179	15,501	21,680	1,826	—	1950-1980	May 1, 2017	41
Shawnee, KS	Acute care general hospital	3,076	14,945	—	—	3,076	14,945	18,021	216	—	2018	June 10, 2019	50
Sherman, TX	Acute care general hospital	4,493	10,690	—	—	4,493	10,690	15,183	2,934	—	1913, 1960-2010	October 31, 2014	40
Sienna, TX	Freestanding ER	1,000	3,591	—	—	1,000	3,591	4,591	479	—	2014	August 20, 2014	40
Spartanburg, SC	Rehabilitation hospital	1,135	15,717	—	—	1,135	15,717	16,852	2,505	—	2013	August 1, 2013	40
Springfield, IL	Long term acute care hospital	542	1,458	—	—	542	1,458	2,000	14	—	2009	August 30, 2019	40
St. Albans Park, Australia	Acute care general hospital	2,097	21,421	544	—	2,641	21,421	24,062	339	—	1985	June 7, 2019	40
Strathpine, Australia	Acute care general hospital	2,538	35,542	301	—	2,839	35,542	38,381	533	—	1985	June 7, 2019	40
Sunnybank, Australia	Acute care general hospital	5,819	44,225	346	—	6,165	44,225	50,390	779	—	1979	June 7, 2019	34
Houston, TX	Freestanding ER	1,423	3,772	—	—	1,423	3,772	5,195	456	—	2015	February 18, 2015	40
Taunton, MA	Acute care general hospital	4,428	73,228	6,852	—	4,428	80,080	84,508	6,446	—	1940-2015	October 3, 2016	41
Tempe, AZ	Acute care general hospital	6,050	10,986	6,773	—	6,050	17,759	23,809	903	—	1940	September 29, 2017	41
Texarkana, TX	Acute care general hospital	14,562	—	—	—	14,562	—	14,562	—	—	2017	September 29, 2017	-
Thornton, CO	Freestanding ER	1,350	4,259	—	—	1,350	4,259	5,609	568	—	2014	August 29, 2014	40
Toledo, OH	Rehabilitation hospital	1,205	17,740	—	—	1,205	17,740	18,945	1,663	—	2016	April 1, 2016	40
Tomball, TX	Long term acute care hospital	1,299	23,982	—	—	1,299	23,982	25,281	5,396	—	2005	December 21, 2010	40
Torquay, UK	Acute care general hospital	2,754	37,219	349	—	3,103	37,219	40,322	320	—	1981	August 16, 2019	40
Tulsa, OK	Long term acute care hospital	1,128	4,477	—	—	1,128	4,477	5,605	44	—	1989	August 30, 2019	40
Houston, TX	Acute care general hospital	4,047	36,862	—	—	4,047	36,862	40,909	3,225	—	2016	July 7, 2016	40
League City, TX	Freestanding ER	1,356	3,901	—	—	1,356	3,901	5,257	439	—	2015	June 19, 2015	40
Anaheim, CA	Acute care general hospital	1,875	21,813	—	10	1,875	21,823	23,698	7,183	—	1964	November 8, 2006	40
Viseu, Portugal	Acute care general hospital	2,128	29,228	446	—	2,574	29,228	31,802	85	—	2016	November 28, 2019	37
Wantirna, Australia	Acute care general hospital	25,419	209,087	958	—	26,377	209,087	235,464	3,095	—	1984	June 7, 2019	40
Warren, OH	Acute care general hospital	5,387	47,586	9,894	—	5,387	57,480	62,867	4,186	—	1982	May 1, 2017	41
Watsonville, CA	Acute care general hospital	16,488	17,800	—	—	16,488	17,800	34,288	163	—	1983	September 30, 2019	39
West Monroe, LA	Acute care general hospital	12,000	69,433	16,187	—	12,552	85,068	97,620	11,845	—	1962	September 26, 2013	40
San Antonio, TX	Acute care general hospital	2,248	5,880	—	—	2,248	5,880	8,128	1,052	—	2012	October 2, 2012	40
West Valley City, UT	Acute care general hospital	5,516	58,314	7,150	(114)	5,402	65,464	70,866	17,332	—	1980	April 22, 2008	40
Wheeling, WV	Acute care general hospital	1,480	7,920	—	—	1,480	7,920	9,400	—	—	1914, 1925-1983	June 1, 2017	8
Wichita, KS	Rehabilitation hospital	1,019	18,373	—	1	1,019	18,374	19,393	5,396	—	1992	April 4, 2008	40
Youngstown, OH	Acute care general hospital	4,335	3,565	824	—	4,335	4,389	8,724	1,561	—	1929-2003	May 1, 2017	41
		$ 1,003,149	$ 5,916,757	$ 370,918	$ 21,662	$ 1,017,402	$ 6,295,084	$ 7,312,486	$ 504,651				

(1) The aggregate cost for federal income tax purposes is $7.8 billion.

The changes in total real estate assets (excluding construction in progress, intangible lease assets, investment in financing leases, and mortgage loans) are as follows for the years ended (in thousands):

	December 31, 2019	December 31, 2018	December 31, 2017
COST			
Balance at beginning of period	$ 4,781,149	$ 5,438,148	$ 3,968,042
Acquisitions	2,436,265	758,619	1,256,245
Transfers from construction in progress	—	25,513	74,441
Additions	173,785	96,775	36,828
Dispositions	(106,536)	(1,318,238)	(53,372)
Other	27,823 (2)	(219,668) (2)	155,964 (2)
Balance at end of period	$ 7,312,486	$ 4,781,149	$ 5,438,148

The changes in accumulated depreciation are as follows for the years ended (in thousands):

	December 31, 2019	December 31, 2018	December 31, 2017
ACCUMULATED DEPRECIATION			
Balance at beginning of period	$ 414,331	$ 407,349	$ 292,786
Depreciation	130,851	115,497	109,307
Depreciation on disposed property	(40,952)	(101,967)	(1,438)
Other	421	(6,548)	6,694
Balance at end of period	$ 504,651	$ 414,331	$ 407,349

(2) Includes foreign currency fluctuations for all years, $61.4 million of right-of-use assets (2019 only), and purchase price allocation adjustments (2017 only).

SCHEDULE IV — MORTGAGE LOANS ON REAL ESTATE
MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.
December 31, 2019

Column A	Column B	Column C	Column D	Column E	Column F	Column G(3)	Column H
Description	**Interest Rate**	**Final Maturity Date**	**Periodic Payment Terms**	**Prior Liens**	**Face Amount of Mortgages**	**Carrying Amount of Mortgages**	**Principal Amount of Loans Subject to Delinquent Principal or Interest**
			(Dollar amounts in thousands)				
Long-term first mortgage loan:			Payable in monthly installments of interest plus principal payable in full at maturity				
Desert Valley Hospital	11.0%	2022		(1)	$ 70,000	$ 70,000	(2)
Desert Valley Hospital	12.4%	2022		(1)	20,000	20,000	(2)
Desert Valley Hospital	11.0%	2021		(1)	12,500	12,500	(2)
Chino Valley Medical Center	11.0%	2022		(1)	50,000	50,000	(2)
Paradise Valley Hospital	11.2%	2022		(1)	25,000	25,000	(2)
Ernest(4)	10.2%	2032		(1)	115,000	115,000	(2)
Centinela Hospital Medical Center	11.9%	2022		(1)	100,000	100,000	(2)
Olympia Medical Center	10.9%	2024		(1)	25,000	25,000	(2)
St. Joseph Medical Center	9.3%	2025		(1)	30,000	30,000	(2)
St. Mary's Medical Center	9.3%	2025		(1)	10,000	10,000	(2)
Lake Huron Medical Center	9.3%	2025		(1)	10,000	10,000	(2)
Steward(6)	7.8%	2031		(1)	737,242	737,242	(2)
Vibra	11.5%	2024		(1)	18,986	18,986	(2)
Prospect	7.5%	2034		(1)	51,267	51,267	(2)
					$ 1,274,995	$ 1,274,995	(5)

(1) There were no prior liens on loans as of December 31, 2019.
(2) The mortgage loan was not delinquent with respect to principal or interest.
(3) The aggregate cost for federal income tax purposes is $1.3 billion.
(4) Mortgage loans covering four properties in two tranches. Interest rate is weighted-average of both tranches.
(5) Excludes unamortized loan issue costs of $0.03 million at December 31, 2019.
(6) Mortgage loans covering two properties.

Changes in mortgage loans (excluding unamortized loan issue costs) for the years ended December 31, 2019, 2018, and 2017 are summarized as follows:

	Year Ended December 31,		
	2019	**2018**	**2017**
	(Dollar amounts in thousands)		
Balance at beginning of year	$ 1,213,283	$ 1,778,264	$ 1,060,336
Additions during year:			
New mortgage loans and additional advances on existing loans	61,712	50,783	717,928
	1,274,995	1,829,047	1,778,264
Deductions during year:			
Collection of principal	—	(615,764)	—
	—	(615,764)	—
Balance at end of year	$ 1,274,995	$ 1,213,283	$ 1,778,264

Description of Securities of Medical Properties Trust, Inc.

Registered under Section 12 of the Securities Exchange Act of 1934, as Amended

The following is a summary of the material terms of the shares of common stock, par value $0.001 per share (“Common Stock”), of Medical Properties Trust, Inc., a Maryland corporation (the “Company”), as well as certain relevant provisions of the second articles of amendment and restatement of the Company, as further amended (the “Charter”) and the second amended and restated bylaws of the Company, as further amended (the “Bylaws”), the Maryland General Corporation Law (the “MGCL”) and the Maryland REIT Law. A more complete description is available by referring to the full text of the Charter, the Bylaws and the MGCL.

Dividend, Voting and Other Rights of Holders of Common Stock

Subject to the preferential rights of any other class or series of stock and to the provisions of the Charter regarding the restrictions on transfer of stock discussed below under the caption “—Restrictions on Ownership and Transfer”, holders of shares of Common Stock are entitled to receive dividends if, when and as authorized by the board of directors of the Company (the “Board of Directors”) out of funds legally available to pay dividends, and declared by the Company, and to share ratably in the assets of the Company legally available for distribution to the stockholders of the Company in the event of the Company’s liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of the Company, including the preferential rights on dissolution of any class or classes of preferred stock.

Subject to the provisions of the Charter regarding restrictions on transfer of stock, each outstanding share of Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of such shares of Common Stock will possess exclusive voting power. There is no cumulative voting in the election of directors of the Company. In uncontested elections, directors are elected by the affirmative vote of a majority of all votes cast “for” and “against” each director nominee. In contested elections, directors are elected by a plurality of the votes cast. See “Certain Provisions of Maryland Law and the Charter and Bylaws—The Board of Directors”.

Holders of shares of Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of the Company. Subject to the provisions of the Charter regarding restrictions on transfer of stock, shares of Common Stock will have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside of the ordinary course of business unless approved by the corporation’s board of directors and by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation’s charter. The Charter does not provide for a lesser percentage for these matters. However, Maryland law permits a corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to one or more persons if all of the equity interests of the person or persons are owned, directly or indirectly, by the corporation. Because operating assets may be held by a corporation’s subsidiaries, as in the Company’s situation, this may mean that a subsidiary of a corporation can transfer all of its assets without a vote of the corporation’s stockholders.

The Charter authorizes the Board of Directors to reclassify any unissued shares of Common Stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series.

Listing

The Common Stock is listed on the New York Stock Exchange under the symbol “MPW”.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is American Stock Transfer and Trust Company, LLC.

Power to Increase Authorized Stock and Issue Additional Shares of Capital Stock

The Company believes that the power of the Board of Directors, without stockholder approval, to increase the number of authorized shares of stock, issue additional authorized but unissued shares of Common Stock or preferred stock of the Company, par value $0.001 per share (“Preferred Stock”), and to classify or reclassify unissued shares of Common Stock or Preferred Stock and thereafter to cause the Company to issue such classified or reclassified shares of stock will provide the Company with flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as Common Stock, will be available for issuance without further action by the Company’s stockholders, unless stockholder consent is required by applicable law or the rules of any national securities exchange or automated quotation system on which the Company’s securities may be listed or traded.

Restrictions on Ownership and Transfer

In order for the Company to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”), not more than 50% of the value of the outstanding shares of Common Stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made by the Company). In addition, if the Company, or one or more owners (actually or constructively) of 10% or more of the Company’s stock, actually or constructively owns 10% or more of a tenant of the Company’s (or a tenant of any partnership in which the Company is a partner), the rent received by the Company (either directly or through any such partnership) from such tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. The Company’s stock must also be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made by the Company).

The Charter contains restrictions on the ownership and transfer of the Company’s capital stock that are intended to assist the Company in complying with these requirements and continuing to qualify as a REIT. The relevant sections of the Charter provide that, effective upon completion of the Company’s initial public offering and subject to the exceptions described below, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Code, more than (1) 9.8% of the number or value, whichever is more restrictive, of the outstanding shares of Common Stock or (2) 9.8% of the number or value, whichever is more restrictive, of the issued and outstanding Preferred Stock or other shares of any class or series of the Company’s stock. This restriction is referred to as the “ownership limit”. The ownership limit in the Charter is more restrictive than the restrictions on ownership of the Common Stock imposed by the Code.

The ownership attribution rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of outstanding Common Stock (or the acquisition of an interest in an entity that owns, actually or constructively, Common Stock) by an individual or entity could nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of outstanding Common Stock and thereby subject the holder of such Common Stock to the ownership limit.

The Board of Directors may, in its sole discretion, prospectively or retroactively waive the ownership limit with respect to one or more stockholders if it determines that such ownership in excess of the ownership limit would not result in the Company being “closely held” under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise jeopardize the Company’s status as a REIT (for example, by causing any tenant of the Company to be considered a “related party tenant” for purposes of the REIT qualification rules).

As a condition of the Company’s waiver, the Board of Directors may require an opinion of counsel or a ruling from the Internal Revenue Service satisfactory to the Board of Directors and representations or undertakings from the applicant with respect to preserving the REIT status of the Company.

In connection with the waiver of the ownership limit or at any other time, the Board of Directors may decrease the ownership limit for all other persons and entities; provided, however, that the decreased ownership limit will not be effective for any person or entity whose percentage ownership in the Company’s capital stock is in excess of such decreased ownership limit until such time as such person or entity’s percentage of the Company’s capital stock equals or falls below the decreased ownership limit, but any further acquisition of the Company’s capital stock in excess of such percentage ownership of the Company’s capital stock will be in violation of the ownership limit. Additionally, the new ownership limit may not allow five or fewer “individuals” (as defined for purposes of the REIT ownership restrictions under the Code) to beneficially own more than 49.5% of the value of the Company’s outstanding capital stock.

The Charter generally prohibits:

- any person from actually or constructively owning shares of the Company’s capital stock that would result in the Company being “closely held” under Section 856(h) of the Code; and

- any person from transferring shares of the Company’s capital stock if such transfer would result in shares of the Company’s stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of Common Stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to the Company and provide the Company with such other information as the Company may request in order to determine the effect of such transfer on the Company’s status as a REIT. The foregoing provisions on transferability and ownership will not apply if the Board of Directors determines that it is no longer in the Company’s best interests to attempt to qualify, or to continue to qualify, as a REIT.

Pursuant to the Charter, if any purported transfer of the Company’s capital stock or any other event would otherwise result in any person violating the ownership limit or the other restrictions in the Charter, then any such purported transfer will be void and of no force or effect with respect to the purported transferee or owner, or the purported owner, as to that number of shares in excess of the ownership limit (rounded up to the nearest whole share). The number of shares in excess of the ownership limit will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by the Company. The trustee of the trust will be designated by the Company and must be unaffiliated with the Company and with any purported owner. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported owner, prior to the Company’s discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust and all dividends and other distributions paid by the Company with respect to such “excess” shares prior to the sale by the trustee of such shares will be paid to the trustee for the beneficiary. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit, then the Charter provides that the transfer of the excess shares will be void. Subject to Maryland law, effective as of the date that such excess shares have been transferred to the trust, the trustee will have the authority (at the trustee’s sole discretion and subject to applicable law) (1) to rescind as void any vote cast by a purported owner prior to the Company’s discovery that such shares have been transferred to the trust and (2) to recast such vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust, provided that if the Company has already taken irreversible action, then the trustee will not have the authority to rescind and recast such vote.

Shares of the Company’s capital stock transferred to the trustee are deemed offered for sale to the Company, or the

Company’s designee, at a price per share equal to the lesser of (1) the price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares of the Company’s capital stock at market price, the market price on the day of the event which resulted in the transfer of such shares of the Company’s capital stock to the trust) and (2) the market price on the date the Company, or the Company’s designee, accepts such offer. The Company has the right to accept such offer until the trustee has sold the shares of the Company’s capital stock held in the trust pursuant to the provisions discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the purported owner and any dividends or other distributions held by the trustee with respect to such capital stock will be paid to the charitable beneficiary.

If the Company does not buy the shares, the trustee must, within 20 days of receiving notice from the Company of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limit. After that, the trustee must distribute to the purported owner an amount equal to the lesser of (1) the net price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the market price on the day of the event which resulted in the transfer of such shares of capital stock to the trust) and (2) the net sales proceeds received by the trust for the shares. Any proceeds in excess of the amount distributable to the purported owner will be distributed to the beneficiary.

All persons who own, directly or by virtue of the attribution provisions of the Code, more than 5% (or such other percentage as provided in the regulations promulgated under the Code) of the lesser of the number or value of the shares of the Company’s outstanding capital stock must give written notice to the Company within 30 days after the end of each calendar year. In addition, each stockholder will, upon demand, be required to disclose to the Company in writing such information with respect to the direct, indirect and constructive ownership of shares of the Company’s stock as the Board of Directors deems reasonably necessary to comply with the provisions of the Code applicable to a REIT, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

All certificates representing shares of the Company’s capital stock will bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change of control of the Company that might involve a premium price over the then prevailing market price for the holders of some, or a majority, of the outstanding shares of Common Stock or which such holders might believe to be otherwise in their best interest.

Certain Provisions of Maryland Law and of the Charter and Bylaws

The Board of Directors

The Charter and Bylaws provide that the number of directors of the Company is to be established by the Board of Directors but may not be fewer than one nor, under the MGCL, more than 15. Currently, the Board of Directors is comprised of eight directors. Any vacancy, other than one resulting from an increase in the number of directors, may be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors, though less than a quorum. Any vacancy resulting from an increase in the number of directors must be filled by a majority of the entire Board of Directors. A director elected to fill a vacancy is elected to serve until the next election of directors and until his or her successor is elected and qualifies.

Pursuant to the Charter, each member of the Board of Directors is elected until the next annual meeting of stockholders and until his or her successor is elected and qualifies. Holders of shares of Common Stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, all of the members of the Board of Directors will stand for election and the directors will be elected by a majority of votes cast in uncontested elections and by a plurality of votes cast in contested elections. Directors may be removed with or without cause by the affirmative vote of two-thirds of the votes entitled to be cast in the election of directors.

Business Combinations

Maryland law prohibits “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, certain transfers of assets, certain stock issuances and reclassifications. Maryland law defines an interested stockholder as:

- any person who beneficially owns 10% or more of the voting power of the corporation’s voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation.

A person is not an interested stockholder if the board of directors approves in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving the transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five year prohibition, any business combination between a corporation and an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock; and
- two-thirds of the votes entitled to be cast by holders of the voting stock other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are approved by the board of directors before the time that the interested stockholder becomes an interested stockholder.

As permitted by Maryland law, the Charter includes a provision excluding the Company from these provisions of the MGCL and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between the Company and any interested stockholder of the Company unless the Company later amends the Charter, with stockholder approval, to modify or eliminate this exclusion provision. The Company believes that the ownership restrictions will substantially reduce the risk that a stockholder would become an “interested stockholder” within the meaning of the Maryland business combination statute. There can be no assurance, however, that the Company will not opt into the business combination provisions of the MGCL at a future date, subject to stockholder approval as required under the MGCL and the Charter.

Control Share Acquisitions

The MGCL provides that a holder of “control shares” of a Maryland corporation acquired in a “control share acquisition” has no voting rights with respect to the control shares, except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror or by officers or directors who are the Company’s employees are excluded from shares entitled to vote on the matter. “Control shares” are voting shares which, if aggregated with all other shares previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority, or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions, including an undertaking to pay expenses, may compel a corporation's board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders' meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by Maryland law, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders' meeting and the acquiror becomes entitled to exercise or direct the exercise of a majority of the voting power, then all other stockholders are entitled to demand and receive fair value for their stock, or provided for in the "dissenters" rights provisions of the MGCL may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition

The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) to acquisitions approved or exempted by the charter or bylaws of the corporation.

The Charter contains a provision exempting from the control share acquisition statute any and all acquisitions by any person of the Company's stock. There can be no assurance that the Company will not opt into the control share acquisition provisions of the MGCL in the future, subject to stockholder approval as required under the MGCL and the Charter.

Maryland Unsolicited Takeover Act

The Maryland Unsolicited Takeover Act ("MUTA") also permits Maryland corporations that are subject to the Exchange Act and have at least three outside directors to elect, by resolution of the board of directors or by provision in its charter or bylaws and notwithstanding any contrary provision in the charter or bylaws, to be subject to any or all of the following corporate governance provisions:

- the board of directors may classify itself without the vote of stockholders. A board of directors classified in that manner cannot be altered by amendment to the charter of the corporation;
- a special meeting of the stockholders will be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting;
- the board of directors may reserve for itself the right to fix the number of directors and to fill vacancies created by the death, removal or resignation of a director;
- a director may be removed only by the vote of the holders of two-thirds of the stock entitled to vote; and
- provide that all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum for the remainder of the full term of the class of directors in which the vacancy occurred.

A board of directors may implement all or any of these provisions without amending the charter or bylaws and without stockholder approval. If implemented, these provisions could discourage offers to acquire a company's stock and could increase the difficulty of completing an offer. The Company has opted out of MUTA in its charter and may not opt back in without stockholder approval.

Amendment to the Charter

Pursuant to the MGCL, the Charter may be amended only if declared advisable by the Board of Directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter, except that the Board of Directors is able, without stockholder approval, to amend the Charter to change the Company’s corporate name or the name or designation or par value of any class or series of stock.

Dissolution of the Company

A voluntary dissolution of the Company must be declared advisable by a majority of the entire Board of Directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter.

Advance Notice of Director Nominations and New Business

The Bylaws provide that with respect to an annual meeting of stockholders, the only business to be considered and the only proposals to be acted upon will be those properly brought before the annual meeting:

- pursuant to the Company’s notice of the meeting;
- by, or at the direction of, a majority of the Board of Directors; or
- by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the Bylaws.

With respect to special meetings of stockholders, only the business specified in the Company’s notice of meeting may be brought before the meeting of stockholders unless otherwise provided by law.

Nominations of persons for election to the Board of Directors at any annual or special meeting of stockholders may be made only:

- by, or at the direction of, the Board of Directors; or
- by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the Bylaws.

Generally, under the Bylaws, a stockholder seeking to nominate a director or bring other business before the Company’s annual meeting of stockholders must deliver a notice to the Company’s secretary not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date of mailing of the notice to stockholders for the prior year’s annual meeting. For a stockholder seeking to nominate a candidate for the Board of Directors, the notice must describe various matters regarding the nominee, including name, address, occupation and number of shares of Common Stock held, and other specified matters. For a stockholder seeking to propose other business, the notice must include a description of the proposed business, the reasons for the proposal and other specified matters.

Indemnification and Limitation of Directors and Officers Liability

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Charter limits the personal liability of the Company’s directors and officers for monetary damages to the fullest extent permitted under current Maryland law, and the Charter and Bylaws provide that a director or officer will be indemnified to the fullest extent required or permitted by Maryland law from and against any claim or liability to which such director or officer may become subject by reason of his or her status as a director or officer of the Company. Maryland law allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in connection with any proceeding to which they may be made a party by reason of their service on those or other capacities, unless the following can be established:

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

The MGCL requires a corporation (unless its charter provides otherwise, which the Charter does not) to indemnify a director or officer who has been successful on the merits or otherwise, in the defense of any claim to which he or she is made a party by reason of his or her service in that capacity.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

The Charter authorizes the Company to obligate itself to indemnify, and the Bylaws obligate the Company, to the fullest extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director or officer of the Company and at the Company's request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity.

The Charter and Bylaws also permit the Company to indemnify and advance expenses to any person who served a predecessor of the Company's in any of the capacities described above.

The Company's stockholders have no personal liability for indemnification payments or other obligations under any indemnification agreements or arrangements. However, indemnification could reduce the legal remedies available to us and the Company's stockholders against the indemnified individuals.

This provision for indemnification of the Company's directors and officers does not limit a stockholder's ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to the Company or to the Company's stockholders, although these equitable remedies may not be effective in some circumstances.

In addition to any indemnification to which the Company's directors and officers are entitled pursuant to the Charter and Bylaws and the MGCL, the Charter and Bylaws provide that, with the approval of the Board of Directors, the Company may indemnify other employees and agents to the fullest extent permitted under Maryland law, whether they are serving the Company or, at the Company's request, any other entity. The Company has entered into indemnification agreements with each of the Company’s directors and executive officers, and the Company maintains a directors and officers liability insurance policy. Although the form of the indemnification agreement offers substantially the same scope of coverage afforded by provisions in the Charter and Bylaws, it provides greater assurance to the directors and officers that indemnification will be available, because, as a contract, it cannot be modified unilaterally in the future by the Board of Directors or by stockholders to eliminate the rights it provides.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act of 1933, as amended (the “Securities Act”), the Company has been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
Medical Properties Trust, LLC	Delaware	Alabama, Massachusetts
Mountain View-MPT Hospital, LLC	Delaware	Idaho
MPT of Allen FCER, LLC	Delaware	Texas
MPT of Altoona, LLC	Delaware	Wisconsin
MPT of Alvarado, LLC	Delaware	California
MPT of Alvarado, L.P.	Delaware	California
MPT of Alvin FCER, LLC	Delaware	Texas
MPT Aztec Opco, LLC	Delaware	—
MPT Bath S.a.r.l.	Luxembourg	—
MPT of Bennettsville, LLC	Delaware	South Carolina
MPT of Billings, LLC	Delaware	Montana
MPT of Billings Hospital, LLC	Delaware	Montana
MPT of Bloomington, LLC	Delaware	Indiana
MPT of Boise, LLC	Delaware	Idaho
MPT of Boise Hospital, LLC	Delaware	Idaho
MPT of Bossier City, LLC	Delaware	Louisiana
MPT of Brodie FCER, LLC	Delaware	Texas
MPT of Broomfield FCER, LLC	Delaware	Colorado
MPT of Brownsville, LLC	Delaware	Texas
MPT of Brownsville Hospital, LLC	Delaware	Texas
MPT of Carrollton AD, LLC	Delaware	Texas
MPT of Casper, LLC	Delaware	Wyoming
MPT of Casper Hospital, LLC	Delaware	Wyoming
MPT of Cedar Hill FCER, LLC	Delaware	Texas
MPT of Champion Forest FCER, LLC	Delaware	Texas
MPT of Chandler FCER, LLC	Delaware	Arizona
MPT of Cheraw, LLC	Delaware	South Carolina
MPT of Chino, LLC	Delaware	California
MPT of Clear Lake, LLC	Delaware	Texas
MPT of Clear Lake, L.P.	Delaware	Texas
MPT of Comal County, LLC	Delaware	Texas
MPT of Comal County Hospital, LLC	Delaware	Texas
MPT of Commerce City FCER, LLC	Delaware	Colorado
MPT of Converse FCER, LLC	Delaware	Texas
MPT of Corpus Christi, LLC	Delaware	Texas
MPT of Corpus Christi Hospital, LLC	Delaware	Texas
MPT of Dallas, LLC	Delaware	Texas
MPT of Dallas LTACH, LLC	Delaware	Texas (as "MPT of Dallas LTACH GP, LLC")
MPT of Dallas LTACH, L.P.	Delaware	Texas
MPT Development Services, Inc.	Delaware	Alabama
MPT of Fairmont-Alecto, LLC	Delaware	West Virginia
MPT of Fairmont-Alecto Hospital, LLC	Delaware	West Virginia
MPT Finance Corporation	Delaware	—
MPT of Fall River-Steward Lender, LLC	Delaware	Massachusetts
MPT of Firestone FCER, LLC	Delaware	Colorado
MPT of Florence, LLC	Delaware	Arizona
MPT of Fort Worth FCER, LLC	Delaware	Texas
MPT of Fountain FCER, LLC	Delaware	Colorado
MPT of Frisco FCER, LLC	Delaware	Texas
MPT of Ft. Lauderdale, LLC	Delaware	Florida
MPT of Garden Grove Hospital, LLC	Delaware	California
MPT of Garden Grove Hospital, L.P.	Delaware	California
MPT of Garden Grove MOB, LLC	Delaware	California
MPT of Garden Grove MOB, L.P.	Delaware	California
MPT of Gilbert, LLC	Delaware	Arizona
MPT of Glendale FCER, LLC	Delaware	Arizona
MPT of Greenwood, LLC	Delaware	South Carolina
MPT of Greenwood Hospital, LLC	Delaware	South Carolina
MPT of Hausman, LLC	Delaware	Texas
MPT of Hillsboro, LLC	Delaware	Texas
MPT of Hillsboro, L.P.	Delaware	Texas
MPT of Hoboken Hospital, LLC	Delaware	—
MPT of Hoboken Real Estate, LLC	Delaware	New Jersey

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
MPT of Hoboken TRS, LLC	Delaware	New Jersey
MPT of Hoover-Medical West, LLC	Delaware	Alabama
MPT of Houston-Eldridge FCER, LLC	Delaware	Texas
MPT of Idaho Falls, LLC	Delaware	Idaho
MPT of Inglewood, LLC	Delaware	California
MPT of Inglewood, L.P.	Delaware	California
MPT of Johnstown, LLC	Delaware	Colorado
MPT of Johnstown Hospital , LLC	Delaware	Colorado
MPT JV GmbH & Co. KG	Germany	—
MPT JV Holdco Sarl	Luxembourg	—
MPT JV Verwaltungs GmbH	Germany	—
MPT of Kansas City, LLC	Delaware	Missouri
MPT of Lafayette, LLC	Delaware	Indiana
MPT of Lafayette Hospital, LLC	Delaware	Indiana
MPT of Laredo, LLC	Delaware	Texas
MPT of Laredo Hospital, LLC	Delaware	Texas
MPT of Las Cruces	Delaware	New Mexico
MPT of Las Cruces Hospital, LLC	Delaware	New Mexico
MPT of Leavenworth, LLC	Delaware	Kansas
MPT Legacy of Montclair, LLC	Delaware	New Jersey
MPT of Little Elm FCER, LLC	Delaware	Texas
MPT of Los Angeles, LLC	Delaware	California
MPT of Los Angeles, L.P.	Delaware	California
MPT of Mesa, LLC	Delaware	Arizona
MPT of Mesquite, LLC	Delaware	Texas
MPT of Mesquite Hospital, LLC	Delaware	Texas
MPT of Missouri City-Dulles FCER, LLC	Delaware	Texas
MPT of Missouri City FCER, LLC	Delaware	Texas
MPT of Mountain View, LLC	Delaware	—
MPT of Nacogdoches FCER, LLC	Delaware	Texas
MPT of North Gate FCER, LLC	Delaware	Colorado
MPT of Ogden, LLC	Delaware	Utah
MPT of Ogden Hospital, LLC	Delaware	Utah
MPT of Olympia, LLC	Delaware	—
MPT Operating Partnership, L.P.	Delaware	Massachusetts, Alabama, New York, Kansas
MPT of Overlook Parkway, LLC	Delaware	Texas
MPT of Paradise Valley, LLC	Delaware	California
MPT of Paradise Valley, L.P.	Delaware	California
MPT of PA-Vibra Lender, LLC	Delaware	Michigan
MPT of Pearland FCER, LLC	Delaware	Texas
MPT of Petersburg, LLC	Delaware	Virginia
MPT of Poplar Bluff, LLC	Delaware	Missouri
MPT of Port Arthur, LLC	Delaware	Texas
MPT of Portland, LLC	Delaware	Oregon
MPT of Post Falls, LLC	Delaware	Idaho
MPT of Post Falls Hospital, LLC	Delaware	Idaho
MPT of Prescott Valley, LLC	Delaware	Arizona
MPT of Prescott Valley Hospital, LLC	Delaware	Arizona
MPT of Provo, LLC	Delaware	Utah
MPT of Provo Hospital, LLC	Delaware	Utah
MPT of Reno, LLC	Delaware	Nevada
MPT RHM Achertal S.a.r.l.	Luxembourg	—
MPT RHM Adelsberg S.a.r.l.	Luxembourg	—
MPT RHM Aukammtal S.a.r.l.	Luxembourg	—
MPT RHM Bad Lausick S.a.r.l.	Luxembourg	—
MPT RHM Bad Sulze S.a.r.l.	Luxembourg	—
MPT RHM Berggiesshubel S.a.r.l.	Luxembourg	—
MPT RHM Braunfels S.a.r.l.	Luxembourg	—
MPT RHM Buchberg S.a.r.l.	Luxembourg	—
MPT RHM Burg Landshut S.a.r.l.	Luxembourg	—
MPT AHG Odenwald S.a.r.l.	Luxembourg	—
MPT RHM Christiaan S.a.r.l.	Luxembourg	—
MPT RHM Flechtingen S.a.r.l.	Luxembourg	—
MPT RHM Flechtingen II S.a.r.l.	Luxembourg	—
MPT RHM Fontana S.a.r.l.	Luxembourg	—
MPT RHM Franz-Alexander S.a.r.l.	Luxembourg	—
MPT RHM Gottleuba S.a.r.l.	Luxembourg	—

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
MPT RHM Grunheide S.a.r.l.	Luxembourg	—
MPT RHM Gunzenbach S.a.r.l.	Luxembourg	—
MPT RHM Gyhum S.a.r.l.	Luxembourg	—
MPT RHM Hannover S.a.r.l.	Luxembourg	—
MPT RHM Heidelberg S.a.r.l.	Luxembourg	—
MPT RHM Heiligendamm S.a.r.l.	Luxembourg	—
MPT RHM Heinrich Mann S.a.r.l.	Luxembourg	—
MPT RHM Hillersbach S.a.r.l.	Luxembourg	—
MPT RHM Hohenfeld S.a.r.l.	Luxembourg	—
MPT RHM Hohenlohe S.a.r.l.	Luxembourg	—
MPT RHM Holdco S.a.r.l.	Luxembourg	—
MPT RHM Hoppegarten S.a.r.l.	Luxembourg	—
MPT RHM Kaiserberg S.a.r.l.	Luxembourg	—
MPT RHM Kalbe S.a.r.l.	Luxembourg	—
MPT RHM Kinzigtal S.a.r.l.	Luxembourg	—
MPT RHM Kladow S.a.r.l.	Luxembourg	—
MPT RHM Klaus S.a.r.l.	Luxembourg	—
MPT RHM Lobenstein S.a.r.l.	Luxembourg	—
MPT RHM Magdeburg S.a.r.l.	Luxembourg	—
MPT RHM Moselschleife S.a.r.l.	Luxembourg	—
MPT RHM Park S.a.r.l.	Luxembourg	—
MPT RHM Schlangenbad S.a.r.l.	Luxembourg	—
MPT RHM Sonnenwende S.a.r.l.	Luxembourg	—
MPT RHM St. George Bad Durrheim S.a.r.l.	Luxembourg	—
MPT RHM St. George Bad Krotzingen S.a.r.l.	Luxembourg	—
MPT RHM Sudpark S.a.r.l.	Luxembourg	—
MPT RHM Tennstedt S.a.r.l.	Luxembourg	—
MPT RHM TRS S.a.r.l.	Luxembourg	—
MPT RHM Vesalius S.a.r.l.	Luxembourg	—
MPT RHM Wismar S.a.r.l.	Luxembourg	—
Med Valencia S.a.r.l.	Luxembourg	—
Bacoreta Investments S.L.	Spain	—
Healthcare Properties Fund Italy	Italy	—
MPT Median Münchwies S.a.r.l.	Luxembourg	—
MPT Median Schweriner See S.a.r.l.	Luxembourg	—
MPT Median Bad Oeynhausen S.a.r.l.	Luxembourg	—
MPT Median Bad Salzuflen S.a.r.l.	Luxembourg	—
MPT Bad Pyrmont II S.a.r.l.	Luxembourg	—
MPT Median Bassenheim S.a.r.l.	Luxembourg	—
MPT Psychosomatik S.a.r.l	Luxembourg	—
MPT Median Wilhelmsheim S.a.r.l.	Luxembourg	—
MPT Median Daun-Thommener Höhe S.a.r.l.	Luxembourg	—
MPT Median Daun-Am Rosenberg S.a.r.l.	Luxembourg	—
MPT Median Dormagen, S.a.r.l.	Luxembourg	—
MPT Median Tönisstein S.a.r.l.	Luxembourg	—
MPT Median Haus Dondert S.a.r.l.	Luxembourg	—
MPT Median Haus Grefrath S.a.r.l.	Luxembourg	—
MPT Haus Remscheid S.a.r.l.	Luxembourg	—
MPT Median Germersheim S.a.r.l.	Luxembourg	—
MPT Median am Waldsee S.a.r.l.	Luxembourg	—
MPT Median Haus Willich S.a.r.l.	Luxembourg	—
MPT Median Daun-Altburg S.a.r.l.	Luxembourg	—
MPT Median Salze S.a.r.l.	Luxembourg	—
MPT Median Saale S.a.r.l.	Luxembourg	—
MPT Median Saale II S.a.r.l.	Luxembourg	—
MPT Median Children’s Rehab S.a.r.l.	Luxembourg	—
MPT Median Meduna S.a.r.l.	Luxembourg	—
MPT Median Meduna Park S.a.r.l. f/k/a MPT Median Fortuna S.a.r.l.	Luxembourg	—
MPT JV Acute Holdco S.a.r.l.	Luxembourg	—
MPT AHG Lubeck S.a.r.l.	Luxembourg	—
MPT AHG Mecklenberg S.a.r.l.	Luxembourg	—
MPT AHG Odenwald S.a.r.l.	Luxembourg	—
MPT AHG Ravensruh S.a.r.l.	Luxembourg	—
MPT AHG Richelsdorf S.a.r.l.	Luxembourg	—
MPT AHG Romhild S.a.r.l.	Luxembourg	—
MPT AHG Wigbertshohe S.a.r.l.	Luxembourg	—

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
MPT ATOS Cologne S.a.r.l. f/k/a MPT Median Special Project S.a.r.l.	Luxembourg	—
MPT Circle-Birmingham S.a.r.l.	Luxembourg	—
Med Valencia S.a.r.l.	Luxembourg	—
MPT UK Holdco S.a.r.l	Luxembourg	—
MPT Median Burggraben S.a.r.l	Luxembourg	—
MPT Median Holdings, S.a.r.l.	Luxembourg	—
Medical Properties Trust S.a.r.l.	Luxembourg	—
MPT Luxembourg GP S.a.r.l.	Luxembourg	—
MPT Luxembourg Partnership SCS	Luxembourg	—
MPT Luxembourg AIF Italy GP S.a.r.l.	Luxembourg	—
MPT Luxembourg AIF Italy SCS	Luxembourg	—
MPT Europe Holdco S.a.rl.	Luxembourg	—
MPT BMI Harbour Hospital Sarl	Luxembourg	—
MPT Switzerland Holdings Sarl	Luxembourg	—
MPT Mt Stuart Limited	United Kingdom	—
MPT Euxton Limited	United Kingdom	—
MPT Renacres Limited	United Kingdom	—
MPT Downs Limited	United Kingdom	—
MPT Winfield Limited	United Kingdom	—
MPT Rowley Limited	United Kingdom	—
MPT Ashtead Limited	United Kingdom	—
MPT Reading Limited	United Kingdom	—
MPT Viseu Sarl	Luxembourg	—
MPT Gozo Sarl	Luxembourg	—
Newco Inversiones Immobiliarias SL	Spain	—
Proyectos Torrelodones SL	Spain	—
Proyectos Moraleja 2002 SL	Spain	—
MPT Australia Realty Trust	New South Wales	—
MPT Australian Services Pty Ltd	New South Wales	—
MPT Kingswood Realty Trust	New South Wales	—
MPT Campbelltown Realty Trust	New South Wales	—
MPT Liverpool Realty Trust	New South Wales	—
MPT Bundoora Realty Trust	New South Wales	—
MPT Sunnybank Realty Trust	New South Wales	—
MPT Strathpine Realty Trust	New South Wales	—
MPT Perth Realty Trust	New South Wales	—
MPT St. Albans Realty Trust	New South Wales	—
MPT Glen Waverley Realty Trust	New South Wales	—
MPT Wantirna Realty Trust	New South Wales	—
MPT Ringwood East Realty Trust	New South Wales	—
MPT of Victorville, LLC	Delaware	California
MPT of Victory Lakes FCER, LLC	Delaware	Texas
MPT of West Anaheim, LLC	Delaware	California
MPT of West Anaheim, L.P.	Delaware	California
MPT of West Monroe, LLC	Delaware	Louisiana
MPT of Westover Hills, LLC	Delaware	Texas
MPT of West Valley City, LLC	Delaware	Utah
MPT of Wichita, LLC	Delaware	Kansas
MPT of Wyandotte County, LLC	Delaware	Kansas
Wichita Health Associates Limited Partnership	Delaware	Kansas
MPT of Toledo Hospital, LLC	Delaware	
MPT of Sherman-Alecto Hospital, LLC	Delaware	Texas
MPT of Denver 48th FCER, LLC	Delaware	Colorado
MPT of McKinney FCER, LLC	Delaware	Texas
MPT of Gilbert FCER, LLC	Delaware	Arizona
MPT of Conroe FCER, LLC	Delaware	Texas
MPT of Houston Vintage AD, LLC	Delaware	Texas
MPT of Blue Springs, LLC	Delaware	Missouri
MPT of Missouri, LLC	Delaware	Missouri
MPT of Aurora FCER, LLC	Delaware	Colorado
MPT of Weslaco, LLC	Delaware	Texas
MPT of Weslaco Hospital, LLC	Delaware	Texas
MPT of Chandler-Ray FCER, LLC	Delaware	Arizona
MPT of Highland Village FCER, LLC	Delaware	Texas
MPT Europe Opportunities, LLC	Delaware	—
MPT of Helotes FCER, LLC	Delaware	Texas

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
MPT of Parker FCER, LLC	Delaware	Colorado
MPT of Cinco Ranch FCER, LLC	Delaware	Texas
MPT of Lubbock, LLC	Delaware	Texas
MPT of Lubbock Hospital, LLC	Delaware	Texas
MPT of Frisco-Eldorado FCER, LLC	Delaware	Texas
MPT of Mesa-Ellsworth AD, LLC	Delaware	Arizona
MPT of Goodyear FCER, LLC	Delaware	Arizona
MPT Camaro Opco, LLC	Delaware	—
MPT of Hartsville-Capella, LLC	Delaware	South Carolina
MPT of Hot Springs-Capella, LLC	Delaware	Arkansas
MPT of McMinnville-Capella, LLC	Delaware	Oregon
MPT of Olympia-Capella, LLC	Delaware	Washington
MPT of Longmont FCER, LLC	Delaware	Colorado
MPT of Port Huron, LLC	Delaware	Michigan
MPT of Frisco-Custer FCER, LLC	Delaware	Texas
MPT of Creekside FCER, LLC	Delaware	Texas
MPT of Morris, LLC	Delaware	New Jersey
MPT of Kershaw-Capella, LLC	Delaware	South Carolina
MPT of Desoto FCER, LLC	Delaware	Texas
MPT of Flagstaff, LLC	Delaware	Arizona
MPT of Highlands Ranch FCER, LLC	Delaware	Colorado
MPT of Marrero FCER, LLC	Delaware	Louisiana
MPT of San Tan Valley FCER, LLC	Delaware	Arizona
MPT of New Orleans Canal FCER, LLC	Delaware	Louisiana
MPT of Plano Preston FCER, LLC	Delaware	Texas
MPT of Houston Antoine FCER, LLC	Delaware	Texas
MPT of Katy 1463 FCER, LLC	Delaware	Texas
MPT of Newark, LLC	Delaware	New Jersey
MPT of Potranco FCER, LLC	Delaware	Texas
MPT of Mandeville FCER, LLC	Delaware	Louisiana
MPT of Garland FCER, LLC	Delaware	Texas
MPT of DeZavala FCER, LLC	Delaware	Texas
MPT of Glendale Camelback FCER, LLC	Delaware	Arizona
MPT of Austin Riverside FCER, LLC	Delaware	Texas
MPT of Columbus Salem FCER, LLC	Delaware	Ohio
MPT of Flagstaff Hospital, LLC	Delaware	Arizona
MPT of Lewiston-RCCH LLC	Delaware	Idaho
MPT of Pasco-RCCH, LLC	Delaware	Washington
MPT of Cypress Fry FCER, LLC	Delaware	Texas
MPT of Ayer-Steward, LLC	Delaware	Massachusetts
MPT of Brighton-Steward, LLC	Delaware	Massachusetts
MPT of Brockton-Steward, LLC	Delaware	Massachusetts
MPT of Dorchester-Steward, LLC	Delaware	Massachusetts
MPT of Fall River-Steward, LLC	Delaware	Massachusetts
MPT of Methuen-Steward, LLC	Delaware	Massachusetts
MPT of Norwood-Steward, LLC	Delaware	Massachusetts
MPT of Taunton-Steward, LLC	Delaware	Massachusetts
MPT of Haverhill-Steward, LLC	Delaware	Massachusetts
MPT Sycamore Opco, LLC	Delaware	—
MPT of Chino GP, LLC	Delaware	California
MPT of Victorville GP, LLC	Delaware	California
MPT of Toledo, LLC	Delaware	Ohio
MPT of Melbourne-Steward	Delaware	Florida
MPT of Rockledge-Steward, LLC	Delaware	Florida
MPT of Sebastian-Steward, LLC	Delaware	Florida
MPT of Warren-Steward, LLC	Delaware	Ohio
MPT of Youngstown-Steward, LLC	Delaware	Ohio
MPT of Easton-Steward, LLC	Delaware	Pennsylvania
MPT of Sharon-Steward, LLC	Delaware	Pennsylvania
MPT of Hillside-Steward, LLC	Delaware	Ohio
MPT of Chino, L.P.	Delaware	California
MPT of Victorville, L.P.	Delaware	California
MPT of Martins Ferry-Alecto, LLC	Delaware	Ohio
MPT of Martins Ferry-Alecto Hospital, LLC (TRS)	Delaware	Ohio
MPT of Maricopa RE-Steward, LLC	Delaware	Arizona
MPT of Odessa RE-Steward, LLC	Delaware	Texas
MPT of Ogden RE-Steward, LLC	Delaware	Utah

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
MPT of Phoenix RE-Steward, LLC	Delaware	Arizona
MPT of Port Arthur RE-Steward LLC	Delaware	Texas
MPT of San Antonio RE-Steward, LLC	Delaware	Texas
MPT of Woodland Park RE, Steward, LLC	Delaware	Colorado
MPT of Phoenix Behavioral-Steward, LLC	Delaware	Arizona
MPT Global Opportunities, LLC	Delaware	—
MPT of Rosenberg FCER, LLC	Delaware	Texas
MPT of Roxborough, LLC	Delaware	Pennsylvania
MPT of Roxborough, L.P.	Delaware	Pennsylvania
MPT of San Dimas Hospital, LLC	Delaware	California
MPT of San Dimas Hospital, L.P.	Delaware	California
MPT of San Dimas MOB, LLC	Delaware	California
MPT of San Dimas MOB, L.P.	Delaware	California
MPT of Shasta, LLC	Delaware	California
MPT of Shasta, L.P.	Delaware	California
MPT of Sherman-Alecto, LLC	Delaware	Texas
MPT of Spartanburg, LLC	Delaware	South Carolina
MPT of Spartanburg Hospital, LLC	Delaware	South Carolina
MPT of Southern California, LLC	Delaware	California
MPT of Southern California, L.P.	Delaware	California
MPT of Summerwood FCER, LLC	Delaware	Texas
MPT of Thornton FCER, LLC	Delaware	Colorado
MPT of Tomball, LLC	Delaware	Texas (as “MPT of Tomball GP, LLC”)
MPT of Tomball, L.P.	Delaware	Texas
MPT of Twelve Oaks, LLC	Delaware	Texas
MPT of Twelve Oaks, L.P.	Delaware	Texas
MPT of Wheeling-Alecto, LLC	Delaware	West Virginia
MPT of Wheeling-Alecto Hospital, LLC	Delaware	West Virginia
MPT of Layton-Steward, LLC	Delaware	Utah
MPT of Hope-Steward, LLC	Delaware	Arkansas
MPT of West Jordan-Steward, LLC	Delaware	Utah
MPT of Odessa-Steward, LLC	Delaware	Texas
MPT of Houston-Steward, LLC	Delaware	Texas
MPT of Phoenix-Steward, LLC	Delaware	Arizona
MPT of Salt Lake City-Steward, LLC	Delaware	Utah
MPT of San Antonio-Steward, LLC	Delaware	Texas
MPT of Tempe-Steward, LLC	Delaware	Arizona
MPT of Texarkana-Steward, LLC	Delaware	Texas
MPT of Las Vegas-Steward, LLC	Delaware	Nevada
MPT of Houston RE-Steward, LLC	Delaware	Texas
MPT of Layton RE-Steward, LLC	Delaware	Utah
MPT of Lehi-Steward, LLC	Delaware	Utah
MPT TRS Lender-Steward, LLC	Delaware	Massachusetts
MPT of Big Spring-Steward, LLC	Delaware	Texas
MPT Australia MIT Holdings, LLC	Delaware	—
MPT Australia, LLC	Delaware	—
MPT of Elgin, LLC	Delaware	South Carolina
MPT of Watsonville Lender, LLC	Delaware	California
MPT of Watsonville, LLC	Delaware	California
MPT of St. Luke's Parallel Parkway, LLC	Delaware	Kansas
MPT of St. Luke's Roeland Park, LLC	Delaware	Kansas
MPT of St. Luke's Shawnee, LLC	Delaware	Kansas
MPT of St. Luke's Overland Park North, LLC	Delaware	Kansas
MPT of St. Luke's Overland Park South, LLC	Delaware	Kansas
MPT of St. Luke's Olathe, LLC	Delaware	Kansas
MPT of St. Luke's Leawood, LLC	Delaware	Kansas
MPT of St Vincent Castleton, LLC	Delaware	Indiana
MPT of St Vincent Avon, LLC	Delaware	Indiana
MPT of St Vincent Brownsburg, LLC	Delaware	Indiana
MPT of St Vincent Noblesville South, LLC	Delaware	Indiana
MPT of St Vincent Plainfield, LLC	Delaware	Indiana
MPT of St Vincent Noblesville West, LLC	Delaware	Indiana
MPT of St Vincent Greenwood, LLC	Delaware	Indiana
MPT of St Vincent Indianapolis South, LLC	Delaware	Indiana
MPT Australia Trust, Inc.	Maryland	—
MPT TRS Lender PMH, LLC	Delaware	—
MPT of Bellflower PMH GP, LLC	Delaware	California

Subsidiaries	Jurisdiction of Organization	Jurisdiction(s) in Which Qualified as a Foreign Corporation
MPT of Culver City PMH GP, LLC	Delaware	California
MPT of Hollywood PMH GP, LLC	Delaware	California
MPT of Los Angeles PMH GP, LLC	Delaware	California
MPT of Manchester PMH, LLC	Delaware	Connecticut
MPT of North Providence PMH, LLC	Delaware	Rhode Island
MPT of Norwalk PMH GP, LLC	Delaware	California
MPT of Providence PMH, LLC	Delaware	Rhode Island
MPT of Ridley Park PMH, LLC	Delaware	Pennsylvania
MPT of Rockville PMH, LLC	Delaware	Connecticut
MPT of Springfield PMH, LLC	Delaware	Pennsylvania
MPT of Tustin PMH GP, LLC	Delaware	California
MPT of Upland PMH, LLC	Delaware	Pennsylvania
MPT of Upper Darby PMH, LLC	Delaware	Pennsylvania
MPT of Van Nuys PMH GP, LLC	Delaware	California
MPT of Waterbury PMH, LLC	Delaware	Connecticut
MPT of Bellflower PMH, L.P.	Delaware	California
MPT of Culver City PMH, L.P.	Delaware	California
MPT of Hollywood PMH, L.P.	Delaware	California
MPT of Los Angeles PMH, L.P.	Delaware	California
MPT of Norwalk PMH, L.P.	Delaware	California
MPT of Tustin PMH, L.P	Delaware	California
MPT of Van Nuys PMH, L.P.	Delaware	California
MPT TRS Lender-Vibra, LLC	Delaware	—
MPT of Bowling Green-Vibra, LLC	Delaware	Kentucky
MPT of Fresno-Vibra GP, LLC	Delaware	California
MPT of Fresno-Vibra, L.P.	Delaware	California
MPT of San Bernardino-Vibra GP, LLC	Delaware	California
MPT of San Bernardino-Vibra, L.P.	Delaware	California
MPT of Crown Point-Vibra, LLC	Delaware	Indiana
MPT of Mahoning Valley-Vibra, LLC	Delaware	Ohio
MPT of Tulsa-Vibra, LLC	Delaware	Oklahoma
MPT of Sacramento-Vibra GP, LLC	Delaware	California
MPT of Sacramento-Vibra, L.P.	Delaware	California
MPT of Springfield Massachusetts LTACH-Vibra, LLC	Delaware	Massachusetts
MPT of Rochdale-Vibra, LLC	Delaware	Massachusetts
MPT of Charleston-Vibra, LLC	Delaware	South Carolina
MPT of Richmond-Vibra, LLC	Delaware	Virginia
MPT of Fort Wayne-Vibra, LLC	Delaware	Indiana
MPT of Lafayette-Vibra, LLC	Delaware	Louisiana
MPT of Springfield-Vibra, LLC	Delaware	Illinois
MPT of Milwaukee-Vibra, LLC	Delaware	Wisconsin
MPT of South Clear Lake, LLC	Delaware	Texas
MPT of Johnstown-Lima, LLC	Delaware	Pennsylvania
MPT of Meyersdale-Lima, LLC	Delaware	Pennsylvania
MPT of Hastings-Lima, LLC	Delaware	Pennsylvania
MPT of Roaring Springs-Lima, LLC	Delaware	Pennsylvania
MPT of Lawton-Lima, LLC	Delaware	Oklahoma
MPT of Palestine-Lima, LLC	Delaware	Texas
MPT of Dodge City-Lima, LLC	Delaware	Kansas
MPT of Ottumwa-Lima, LLC	Delaware	Iowa
MPT of Riverton-Lima, LLC	Delaware	Wyoming
MPT of Lander-Lima, LLC	Delaware	Wyoming
MPT UK Trust, LLC	Delaware	—
MPT UK Trust Sub 1, LLC	Delaware	—
MPT UK Trust Sub 2, LLC	Delaware	—
MPT UK Trust Sub 3, LLC	Delaware	—
MPT UK Trust Sub 4, LLC	Delaware	—
MPT UK Trust Sub 5, LLC	Delaware	—
MPT UK Trust Sub 6, LLC	Delaware	—
MPT UK Trust Sub 7, LLC	Delaware	—
MPT UK Trust Sub 8, LLC	Delaware	—
MPT UK Trust Sub 9, LLC	Delaware	—
MPT UK Trust Sub 10, LLC	Delaware	—
MPT UK Trust Sub 11, LLC	Delaware	—
MPT of Ernest-Bakersfield,LLC	Delaware	California

Certain subsidiaries were omitted pursuant to Item 601(21)(ii) of the SEC’s Regulation S-K.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-229103) and Form S-8 (No. 333-223471 and 333-190533) of Medical Properties Trust, Inc. of our report dated February 26, 2020 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Birmingham, Alabama
February 26, 2020

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-229103) of MPT Operating Partnership, L.P. of our report dated February 26, 2020 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Birmingham, Alabama
February 26, 2020

Exhibit 23.3

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements of Medical Properties Trust, Inc.:

(1) Registration Statement (Form S-3 No. 333-229103) of Medical Properties Trust, Inc.,
(2) Registration Statement (Form S-8 No. 333-223471) pertaining to the Medical Properties Trust, Inc. 2019 Equity Incentive Plan, and
(3) Registration Statement (Form S-8 No. 333-190533) pertaining to the Medical Properties Trust, Inc. 2013 Equity Incentive Plan,

of our report dated June 28, 2019, (except for Recently Issued or Adopted Accounting Pronouncements included in Note 2, as to which the date is August 5, 2019, and except for Subsequent Events included in Note 2, as to which the date is February 26, 2020) with respect to the consolidated financial statements of Steward Health Care System LLC included in this Annual Report (Form 10-K) of Medical Properties Trust, Inc. for the year end December 31, 2019.

/s/ Ernst and Young LLP

Dallas, Texas
February 26, 2020

Exhibit 23.4

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-229103) of MPT Operating Partnership, L.P. of our report dated June 28, 2019, (except for Recently Issued or Adopted Accounting Pronouncements included in Note 2, as to which the date is August 5, 2019, and except for Subsequent Events included in Note 2, as to which the date is February 26, 2020) with respect to the consolidated financial statements of Steward Health Care System LLC included in this Annual Report of Medical Properties Trust, Inc. (Form 10-K) for the year ended December 31, 2019.

/s/ Ernst and Young LLP

Dallas, Texas
February 26, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Edward K. Aldag, Jr., certify that:

1) I have reviewed this annual report on Form 10-K of Medical Properties Trust, Inc.

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2020

/s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, R. Steven Hamner, certify that:

1) I have reviewed this annual report on Form 10-K of Medical Properties Trust, Inc.

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2020

/s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and Chief Financial Officer

Exhibit 31.3

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Edward K. Aldag, Jr., certify that:

1) **I have reviewed this annual report on Form 10-K of MPT Operating Partnership, L.P.**

2) **Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**

3) **Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**

4) **The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**

   a) **designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

   b) **designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**

   c) **evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and**

   d) **disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and**

5) **The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):**

   a) **all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and**

   b) **any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.**

Date: February 26, 2020

/s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and Chief Executive Officer
of the Sole Member of the General Partner of MPT Operating Partnership, L.P.

Exhibit 31.4

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, R. Steven Hamner, certify that:

1) **I have reviewed this annual report on Form 10-K of MPT Operating Partnership, L.P.**

2) **Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**

3) **Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**

4) **The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**

   a) **designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

   b) **designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**

   c) **evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and**

   d) **disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and**

5) **The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):**

   a) **all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and**

   b) **any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.**

Date: February 26, 2020

/s/ R. Steven Hamner

R. Steven Hamner
Executive Vice President and Chief Financial Officer
of the Sole Member of the General Partner of MPT Operating Partnership, L.P.

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this annual report on Form 10-K of Medical Properties Trust, Inc. (the "Company") for the year ended December 31, 2019 (the "Report"), each of the undersigned, Edward K. Aldag, Jr. and R. Steven Hamner, certifies, pursuant to Section 18 U.S.C. Section 1350, that:

1. **The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and**
2. **The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.**

Date: February 26, 2020

/s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and Chief Executive Officer

/s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and Chief Financial Officer

Exhibit 32.2

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this annual report on Form 10-K of MPT Operating Partnership, L.P. (the “Company”) for the year ended December 31, 2019 (the “Report”), each of the undersigned, Edward K. Aldag, Jr. and R. Steven Hamner, certifies, pursuant to Section 18 U.S.C. Section 1350, that:

1. **The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and**
2. **The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.**

Date: February 26, 2020

/s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and Chief Executive Officer
of the sole member of the general partner of
MPT Operating Partnership, L.P.

/s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and Chief Financial Officer
of the sole member of the general partner of
MPT Operating Partnership, L.P.

Exhibit 99.1

Steward

CONSOLIDATED FINANCIAL STATEMENTS

Steward Health Care System LLC
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Steward Health Care System LLC

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

Contents

Ernst & Young LLP
One Victory Park
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Report of Independent Auditors

The Board of Directors and Members
Steward Health Care System LLC

We have audited the accompanying consolidated financial statements of Steward Health Care System LLC, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive loss, changes in members' deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Steward Health Care Systems LLC at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

June 28, 2019, except for Recently Issued or
Adopted Accounting Pronouncements included in
Note 2, as to which the date is August 5, 2019, and except for
Subsequent Events included in Note 2, as to which the date is
February 26, 2020

Steward Health Care System LLC

Consolidated Balance Sheets

	December 31	
	2018	2017
	(Amounts in Thousands)	
Assets		
Cash and cash equivalents	$ 74,258	$ 69,088
Patient accounts receivable, less allowance for doubtful accounts of $424,396 and $135,535 in 2018 and 2017, respectively	669,094	686,748
Other accounts receivable	266,811	203,132
Income tax receivable	–	63,230
Estimated settlements with third-party payors	10,853	8,865
Inventories	119,407	126,027
Prepaid expenses	48,735	61,204
Other current assets	19,294	18,922
Total current assets	1,208,452	1,237,216
Property and equipment – net	1,339,786	2,655,647
Other assets	119,289	198,060
Goodwill and other intangible assets	548,044	567,253
Total assets	$ 3,215,571	$ 4,658,176
Liabilities and members' deficit		
Current liabilities:		
Current portion of long-term debt	$ 17,875	$ 79,853
Accounts payable and accrued expenses	805,544	690,196
Accrued compensation and benefits	239,900	222,635
Medical claims	155,476	163,458
Estimated settlements with third-party payors	20,221	16,620
Current portion of deferred gain	57,639	6,536
Current portion of sale-leaseback financing obligation	10,891	67,579
Other current liabilities	135,016	105,298
Total current liabilities	1,442,562	1,352,175
Long-term debt – net of current portion and debt issuance costs	1,335,434	1,907,157
Professional liability costs	163,923	138,253
Deferred tax liabilities	479	13,204
Deferred gain – net of current portion	645,665	39,769
Sale-leaseback financing obligation - net of current portion	182,622	1,552,311
Other liabilities	654,444	560,088
Total liabilities	4,425,129	5,562,957
Non-controlling interests with redemption rights	87,835	85,125
Members' deficit	(1,324,117)	(1,017,634)
Non-controlling interests - non-redeemable	26,724	27,728
Total deficit	(1,297,393)	(989,906)
Total liabilities and members' deficit	$ 3,215,571	$ 4,658,176

See accompanying notes.

Steward Health Care System LLC

Consolidated Statements of Operations

	Year Ended December 31	
	2018	2017
	(Amounts in Thousands)	
Net patient service revenue	$ **5,434,043**	$ 3,327,312
Less provision for bad debts	**(580,378)**	(284,765)
Net patient service revenue, less provision for bad debts	**4,853,665**	3,042,547
Premium revenue	**1,449,638**	465,651
Other revenue	**322,886**	197,443
Total revenues	**6,626,189**	3,705,641
Expenses:		
Salaries, wages, and fringe benefits	**2,744,635**	1,780,182
Supplies and other expenses	**2,628,183**	1,561,051
Medical claims expense	**1,151,875**	363,978
Depreciation and amortization	**230,802**	154,772
Interest	**169,777**	108,604
Transaction expenses	**–**	49,792
Gain on sale-leaseback transaction, net	**(3,931)**	–
Gain on sale of assets and business	**(31,274)**	–
Reorganization expenses	**5,308**	8,859
Total expenses	**6,895,375**	4,027,238
Loss from operations	**(269,186)**	(321,597)
Other non-operating income, net	**(403)**	(2,223)
Loss before income taxes	**(268,783)**	(319,374)
Income tax expense (benefit)	**10,764**	(112,193)
Net loss	**(279,547)**	(207,181)
Net loss (earnings) attributable to non-controlling interests	**8,443**	(248)
Net loss attributable to Steward Health Care System LLC	$ **(271,104)**	$ (207,429)

See accompanying notes.

Steward Health Care System LLC

Consolidated Statements of Comprehensive Loss

	Year Ended December 31	
	2018	2017
	(Amounts in Thousands)	
Net loss	$ (279,547)	$ (207,181)
Other comprehensive loss:		
Unrealized loss on available-for-sale securities	(5,950)	-
Pension liability adjustment	(1,392)	(2,065)
Other comprehensive loss before income taxes	(7,342)	(2,065)
Income tax expense	-	-
Total other comprehensive loss, net of tax	(7,342)	(2,065)
Net loss (earnings) attributable to non-controlling interests	8,443	(248)
Comprehensive loss attributable to Steward Health Care System LLC	$ (278,446)	$ (209,494)

See accompanying notes.

Steward Health Care System LLC

Consolidated Statements of Changes in Members' Deficit

	Members' Deficit			
	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling interests Non-redeemable	Total Deficit
	(Amounts in Thousands)			
BALANCE, JANUARY 1, 2017	$ (908,524)	$ (1,707)	$ -	$ (910,231)
Net (loss) income	(207,429)	-	1,189	(206,240)
Pension liability adjustment	-	(2,065)	-	(2,065)
Non-controlling interests acquired	-	-	26,539	26,539
Issuance of convertible preferred interests	100,000	-	-	100,000
Distributions	(89)	-	-	(89)
Equity-based compensation expense	2,180	-	-	2,180
BALANCE, DECEMBER 31, 2017	$ (1,013,862)	$ (3,772)	$ 27,728	$ (989,906)
Net (loss) income	**(271,104)**	**-**	**3,196**	**(267,908)**
Pension liability adjustment	**-**	**(1,392)**	**-**	**(1,392)**
Unrealized loss on available-for-sale securities	**-**	**(5,950)**	**-**	**(5,950)**
Repurchase of equity	**(5,275)**	**-**	**-**	**(5,275)**
Distributions	**-**	**-**	**(4,200)**	**(4,200)**
Adjustment to redemption value of non-controlling interests with redemption rights	**(24,942)**	**-**	**-**	**(24,942)**
Equity-based compensation expense	**2,180**	**-**	**-**	**2,180**
BALANCE, DECEMBER 31, 2018	**$ (1,313,003)**	**$ (11,114)**	**$ 26,724**	**$ (1,297,393)**

See accompanying notes.

Steward Health Care System LLC

Consolidated Statements of Cash Flows

	Year Ended December 31 2018	2017
	(Amounts in Thousands)	
Operating Activities		
Net loss	$ (279,547)	$ (207,181)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	230,802	154,772
Provision for bad debts	580,378	284,765
Equity-based compensation expense	2,180	2,180
Deferred tax, net	(29,589)	(244,051)
Non-cash interest expense	7,963	2,342
Amortization of deferred gains	(15,093)	(6,214)
Gain on sale-leaseback transaction, net	(3,931)	–
Gain on sale of assets and business	(31,274)	(1,953)
Other	–	(6,682)
Increase (decrease) in cash resulting from a change in:		
Patient accounts receivable	(563,349)	(315,064)
Establishment of accounts receivable of recent acquisitions	–	(128,634)
Other assets	73,516	(50,816)
Accounts payable, accrued expenses, and other liabilities	267,598	494,372
Net cash provided by (used in) operating activities	239,654	(22,164)
Investing Activities		
Purchase of property and equipment	(200,895)	(83,403)
Proceeds from sale of assets and business	57,851	–
Purchase of available-for-sale securities	(7,500)	–
Cost of acquisitions, net of cash acquired	(1,082)	(440,623)
Increase in noncurrent other assets	(4,413)	(51,209)
Net cash used in investing activities	(156,039)	(575,235)
Financing Activities		
Payment of debt issuance costs	–	(16,598)
Proceeds from issuance of debt	38,648	15,000
Proceeds under revolving credit facility	30,000	650,000
Payments under revolving credit facility	(80,000)	(35,000)
Repayments of debt and capital lease obligations	(87,448)	(65,994)
Distributions	(12,320)	(89)
Proceeds from preferred equity issuance	–	100,000
Net proceeds from sale-leaseback transaction	42,823	–
Repurchases of equity interests	(5,275)	–
Cash paid for the repurchase of non-controlling interests	(2,348)	–
Other	(2,525)	(745)
Net cash (used in) provided by financing activities	(78,445)	646,574
Net increase in cash and cash equivalents	5,170	49,175
Cash and cash equivalents at beginning of year	69,088	19,913
Cash and cash equivalents at end of year	$ 74,258	$ 69,088

Steward Health Care System LLC

Consolidated Statements of Cash Flows (continued)

		2018		2017
		(Amounts in Thousands)		
Supplemental disclosure of cash flow information				
Cash paid for interest	$	**168,025**	$	95,640
Net cash paid for income taxes	$	**–**	$	58,561
Supplemental schedule of non-cash investing and financing activity				
Purchase of property and equipment financed by capital leases	$	**11,399**	$	37,735
Reduction of financing obligations resulting from qualifying for sale-leaseback accounting	$	**2,016,881**	$	–
Non-cash financing to fund acquisitions	$	**–**	$	1,711,300

See accompanying notes.

1. Organization

Steward Health Care System LLC (Steward or the System) is an affiliate of Cerberus Capital Management, L.P. (the financial sponsor) and was formed in March 2010 for the purpose of owning and operating community-based hospitals and related healthcare entities. Steward commenced its principal operations on November 6, 2010, when it acquired the business, assets, and operations of Caritas Christi.

On May 1, 2017, Steward acquired the operations, inventories, prepaid expenses, personal property, and other miscellaneous items of eight hospitals along with affiliated outpatient service facilities and physician clinics (the CHS Transaction) from Community Health Systems, Inc. (CHS).

On September 29, 2017, Steward merged with IASIS Healthcare LLC (IASIS) and, as a result, acquired seventeen acute care hospitals; one behavior health hospital facility; several affiliated outpatient service facilities; several affiliated physician clinics (the IASIS Merger); and Steward Health Choice Arizona, Inc. and related entities (Health Choice).

The results of operations from facilities purchased as a result of the CHS Transaction and the IASIS Merger are included from the date of each of these transactions.

As of December 31, 2018, the healthcare service organizations owned and operated by Steward's subsidiaries and affiliates include:

- Steward Hospitals – primarily manages acute care hospital campuses driving value to patients through high-quality healthcare services in the most cost-effective manner, as well as operating ambulatory surgery centers, affiliated or owned urgent care providers, and post-acute care.

- Steward Medical Group (SMG) – a large employed multi-specialty group practice with physician-affiliated businesses across all the states Steward operates in, with over 1,700 employed physicians in approximately 600 clinic sites. In addition, SMG manages other physician-affiliated businesses, including home care, medical oncology, and centralized electronic intensive care units (eICU).

1. Organization (continued)

- Steward Health Care Network, Inc. (SHCN) – a highly integrated physician network of approximately 5,000 physicians and managed care contracting entity, which operates the largest accountable care organization (ACO) in New England. In addition, SHCN manages Health Choice. Health Choice is a managed care organization and insurer that delivers healthcare services to over 500,000 members through multiple health plans, accountable care networks, and managed care solutions. Health Choice is headquartered in Phoenix, Arizona.

- Tailored Risk Assurance Company, Ltd. (TRACO) – a captive insurance company incorporated and based in the Cayman Islands that provides professional and general liability insurance.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of subsidiaries and affiliates controlled by Steward. Significant intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

Estimates also affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition – Net Patient Service Revenue

Net patient service revenue is recognized in the period the healthcare services are provided at the estimated net realizable amounts due from patients, third-party payors, and others, including estimated retroactive adjustments resulting from ongoing and future audits, reviews, or investigations under reimbursement agreements with third-party payors. Contracts, laws, and regulations governing Medicare, Medicaid, and managed care payor arrangements are complex and subject to interpretation. Additionally, under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Variances between preliminary estimates of net patient service revenue and final third-party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs.

Allowance for Doubtful Accounts

Steward reports the provision for bad debts as a deduction from net patient service revenue. Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, Steward analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Steward analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid). For receivables associated with self-pay patients, Steward records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. During 2018, the system changed its discount for self-pay accounts to adjust self-pay accounts using an uninsured discount of 75% for certain hospitals resulting in a decrease in net patient service revenue of $49.5 million in the accompanying consolidated statements of operations for the year ended December 31, 2018.

2. Summary of Significant Accounting Policies (continued)

The allowance for doubtful accounts was approximately $424.4 million and $135.5 million as of December 31, 2018 and 2017, respectively. This balance as a percentage of accounts receivable, net of contractual adjustments, was approximately 39% and 16% as of December 31, 2018 and 2017, respectively. The increase in the allowance for doubtful accounts from December 31, 2017 to December 31, 2018, was primarily due to the increase of accounts receivable, reserves attributable to acquired patients receivable and other amounts that the System believes the collectability was adversely affected by system issues associated with an executory IT contract that was assumed through the IASIS transaction and contemplated by the System, Seller, and Advisors as part of determining the purchase price, and the revenue cycle process at the eight hospitals and affiliates acquired through the CHS Transaction. As of November 1, 2018, all billing and collection functions for these hospitals acquired through the CHS Transaction were centralized.

Premium Revenue, Capitation Arrangements and Other Managed Care Revenue

Certain of the System's subsidiaries have agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the subsidiaries receive monthly capitation payments based on the number of covered participants, regardless of services actually performed by the subsidiaries. Expenses incurred related to services provided by healthcare providers other than the subsidiaries, pursuant to capitation arrangements entered into by the subsidiary, are accrued in the period in which the services are provided, based, in part, on estimates that include an accrual for medical services incurred but not reported. These expenses, along with other expenses incurred by Steward related to capitated arrangements, are reported as medical claims expense related to premium revenue in the accompanying consolidated statements of operations.

Included within other revenue is revenue from managed care contracts with certain third-party payors. Under these managed care contracts, the System can earn revenue by providing care to participating patient members more efficiently than contractual cost benchmarks. Additionally, the System can earn revenue from these managed care contracts for achieving certain quality of care scores, based upon contractual metrics. Steward estimates revenue that is earned under these managed care contracts based upon an estimate of the cost of providing care to patient members and the expected quality of care scores in the period that the related service was provided, as the settlement of payment with the third-party payors occurs subsequent to the end of the fiscal year.

2. Summary of Significant Accounting Policies (continued)

The final revenue earned under these arrangements is subject to final determination by the third party payors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Variances between preliminary estimates of revenue earned under these arrangements are included in other revenue in the years in which the change in estimate occurs. During the years ended December 31, 2018 and 2017, Steward recognized $13.7 million and $30.7 million, respectively, as increases to other revenue under these managed care contracts as a result of changes in prior year estimates.

Health Choice

Health Choice is a suite of managed care and insurance entities, which primarily serves Medicaid health plan enrollees in Arizona and Utah. Health Choice derives most of its revenue in Arizona, which includes two contracts with Arizona Health Care Cost Containment System (AHCCCS) to provide specified health services to qualified Medicaid enrollees through contracted providers. AHCCCS is the state agency that administers Arizona's Medicaid program. Approximately $1.1 billion of the premium revenue included in the 2018 consolidated statements of operations is related to these two arrangements.

Health Choice's acute Medicaid contract that comprises the majority of the revenue from the two AHCCCS contracts, was set to expire on September 30, 2018. On March 5, 2018, Health Choice received notice that it was awarded an AHCCCS Complete Care (ACC) contract to provide both physical and behavioral health services to AHCCCS members beginning October 1, 2018. The ACC contracts replace the legacy AHCCCS acute Medicaid contracts, which expired on September 30, 2018. The initial term of the ACC Contract is for three years, with two two-year options to extend, which are at the sole discretion of AHCCCS. The contract is terminable without cause on 90 days' written notice or for cause upon written notice if the System fails to comply with any term or condition of the contract or fails to take corrective action as required to comply with the terms of the contract. Additionally, AHCCCS can terminate the contract in the event of the unavailability of state or federal funding.

In Arizona and surrounding states, Steward Health Choice Arizona and Steward Health Choice Generations subcontracts with hospitals, physicians, and other medical providers to provide services to its Medicaid and Medicare enrollees in Apache, Coconino, Gila, Maricopa, Mohave, Navajo, Pima, and Pinal counties, regardless of the actual costs incurred to provide these services.

Health Choice also includes a joint venture, Health Choice Integrated Care LLC (HCIC), in which the System has a 52% ownership interest, previously had a contract with AHCCCS to operate an

2. Summary of Significant Accounting Policies (continued)

integrated acute and behavioral health plan in northern Arizona. Effective October 1, 2018, HCIC's contract with AHCCCS was extended and assigned to Steward Health Choice Arizona.

As a result of the assignment, HCIC remains contracted for the governance of the Regional Behavioral Health Authority contract with AHCCCS. Health Choice's health plan contracts require the arrangement of healthcare services for enrolled patients in exchange for fixed monthly premiums, based upon negotiated per capita member rates.

Capitation payments received by Health Choice are recognized as premium revenue in the month that members are entitled to healthcare services. Premium revenue includes adjustments to revenue related to the program settlement process for the Arizona-managed Medicaid plan under the related state contract. This program settlement process reconciles estimated amounts due to or from the state based on the actual premium revenue and medical costs and contractually mandated limits on profits and losses. Although estimates of future program settlement amounts are recorded in current periods, the program settlement process typically occurs in the 18 months post-plan year, when actual (rather than projected) claims and member eligibility data become available and a net settlement amount is either due to or from the state. Adjustments to the estimates of future program settlement amounts are recorded as a component of premium revenue.

The System maintains performance bonds to guarantee Health Choice's obligations to providers and non-contracting providers, and performance by Health Choice of its obligations under its contracts with AHCCCS. These performance bonds are maintained in the form of surety bonds. The total amount of issued surety bonds guaranteeing these obligations at December 31, 2018 was approximately $146.1 million.

US Family Health Plan

The US Family Health Plan (the Health Plan) is a U.S. Department of Defense (DOD) sponsored health plan available to families of active duty military, uniformed services retirees, and their eligible family members, including those age 65 and over. The National Defense Authorization Act of 1997 established six civilian organizations as designated providers of the Health Plan. Brighton Marine Health Center, Inc. (Brighton Marine) is the designated provider in Massachusetts and Rhode Island. Under the program, Brighton Marine is fully at-risk and the program requirements and the methodology for capitation rate payments are established pursuant

2. Summary of Significant Accounting Policies (continued)

to the current provisions of a ten-year contract with the DOD effective through September 30, 2023. In order to meet the terms of its DOD contract, Brighton Marine has subcontracted most of the administration of the Health Plan, and all of the financial risk for provision of services, to Steward. This subcontract is co-terminus with Brighton Marine's contract with the DOD. To assist the System with its responsibilities, Steward had subcontracted with Tufts Health Plan (THP) to assist with the administration of the Health Plan and to access THP's network of providers.

Approximately $141.6 million and $138.7 million of the premium revenue included in the 2018 and 2017 consolidated statements of operations, respectively, is related to this arrangement.

Medical Claims Payable

Monthly capitation payments made by the System's managed care organizations to physicians and other healthcare providers are expensed in the month services are contracted to be performed. Claims expense for non-capitated arrangements is accrued as services are rendered by hospitals, physicians, and other healthcare providers during the year.

Medical claims payable related to the System's managed care organizations includes an estimate of claims received but not paid and an estimate of claims incurred but not received. These claims are estimated using a combination of historical claims experience (including severity and payment lag time) and other actuarial analysis, including number of enrollees, age of enrollees, and certain enrollee health indicators, to predict the cost of healthcare services provided to enrollees during any given period. During 2018 and 2017, the System recognized approximately $23.2 million and $12.2 million, respectively, in net favorable claims development related to positive runout experience on claims payable balances. While management believes that its estimation methodology effectively captures trends in medical claims costs, actual payments could differ significantly from estimates given changes in the healthcare cost structure or adverse or favorable experience.

The System has various reinsurance contracts with third-party reinsurers. Reinsurance is received for claims expense incurred in excess of contracted attachment points. Reinsurance recoveries are recorded as a component of medical claims expense in the accompanying consolidated statements of operations, while reinsurance receivables are included in other current assets in the accompanying consolidated balance sheets. Reinsurance recoveries and receivables are calculated based on a combination of claims paid in excess of contracted attachment points and an estimation of reinsurance recoveries on incurred but not reported claims.

2. Summary of Significant Accounting Policies (continued)

The following table shows the components of the change in medical claims payable (in thousands):

	2018	2017
Claims payable, beginning of year	$ 163,458	$ 9,514
Claims payable, acquired	–	144,938
Net claims payable	163,458	154,452
Claims expense attributable to:		
Current period	838,751	272,912
Prior period	(23,226)	(12,166)
Claims expense	815,525	260,746
Claims payments attributable to:		
Current period	687,841	159,935
Prior period	135,666	91,805
Claims paid	823,507	251,740
Net claims payable, end of year	$ 155,476	$ 163,458

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased. The System places its temporary cash investments with high-credit-quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The carrying amount of cash and cash equivalents approximates fair value due to the short maturities of these instruments. Steward applies the methods of calculating fair value as described in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, to value its investments. As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, Steward utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

The following is a description of the System's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers.

2. Summary of Significant Accounting Policies (continued)

The fair value of long-term debt approximated its carrying value and was deemed to be classified within Level 2 of the fair value hierarchy as of December 31, 2018 and 2017, as the interest rates on these instruments approximated current market rates.

Property and Equipment

Property and equipment balances acquired in connection with acquisitions are adjusted to estimated fair value at the acquisition date. All other property and equipment additions and major improvements are capitalized and are stated at cost. Internal-use software costs are expensed in the preliminary project stage. Certain direct costs incurred at later stages and associated with the development and purchase of internal-use software, including external costs for services and internal payroll costs related to the software project, are capitalized within property plant and equipment in the accompanying consolidated balance sheets. Property and equipment balances are depreciated using the straight-line method over the estimated useful lives of the related assets ranging from 1 to 40 years. Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included within depreciation and amortization expense in the accompanying consolidated statements of operations. Depreciation expense, including amortization of assets capitalized under capital leases, is computed using the straight-line method and was $213.7 million and $146.1 million for the years ended December 31, 2018 and 2017, respectively. Minor improvements, maintenance, and repairs are charged to operations as incurred.

Property and equipment balances are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment of long-term assets was recognized during the years ended December 31, 2018 or 2017.

Goodwill and Other Intangible Assets

Goodwill is not amortized but is instead tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that the balance might be impaired. This impairment test is performed annually on the first day of the fourth quarter at the reporting unit level. Steward has the option to perform a qualitative or quantitative assessment of goodwill in evaluating goodwill for impairment. When testing goodwill for impairment qualitatively, if Steward assesses it is more likely than not that the fair value of the reporting unit substantially exceeds its carrying value than no further quantitative analysis is required. When testing goodwill for impairment quantitatively, goodwill is considered to be impaired if the carrying value of the reporting unit, including goodwill, exceeds the reporting unit's fair value. The reporting unit's fair

2. Summary of Significant Accounting Policies (continued)

value is estimated using the income approach (discounted cash flow). The discounted cash flow approach requires the use of assumptions and judgments, including estimates of future cash flows and the selection of discount rates.

Other intangible assets consist of amortizable intangible assets and indefinite-lived intangible assets. Amortizable intangible assets include member relationships, contracts and licenses and are amortized over three to fifteen years. Amortizable intangible assets are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable.

Steward determined that no impairment of goodwill or other intangible assets existed as of December 31, 2018 or 2017. As of December 31, 2018, $66.3 million of goodwill was associated with a reporting unit with negative carrying value.

Income Taxes

The System accounts for income taxes under the provisions of ASC Topic 740, *Income Taxes*, which requires the System to utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of the assets and liabilities using enacted tax rates in effect for the year in which the difference is expected to reverse. The System reduces its deferred tax assets by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that the System will not realize some portion or all of the deferred tax assets. The System considers relevant evidence, both positive and negative, to determine the need for a valuation allowance. Information evaluated includes its financial position and results of operations for the current and preceding years, the availability of deferred tax liabilities, and tax carrybacks, as well as an evaluation of currently available information about future years.

The System recognizes and measures uncertain tax positions and records tax benefits when it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. At each period-end, it is necessary for Steward to make certain estimates and assumptions to compute the provision for income taxes, including allocations of certain transactions to different tax jurisdictions, amounts of permanent and temporary differences, the likelihood of deferred tax assets being recovered and the outcome

2. Summary of Significant Accounting Policies (continued)

of contingent tax risks. These estimates and assumptions are revised as new events occur, more experience is acquired, and additional information is obtained. The effect of these revisions is recorded in income tax expense or benefit in the period in which they become known.

Employee Termination Benefits

Steward has formal termination benefit plans with some of its employees. Under these arrangements, employees are entitled to minimum termination benefits based upon employment position and earn additional termination benefits based upon years of service. Steward accrues employee termination benefits for future absences attributable to services previously rendered in the period when the benefit vests and becomes both probable of being paid and estimable.

Costs of Borrowing

Costs associated with the System's mortgage liabilities are deducted directly from the carrying amount of the related debt and amortized as a component of interest expense over the term of the respective agreements. Costs associated with the System's revolving credit facility are capitalized within other assets and amortized as a component of interest expense over the term of the facility. Deferred debt issuances costs were $14.8 million and $23.1 million as of December 31, 2018 and 2017, respectively. Amortization expense related to debt issuance costs was approximately $4.4 million and $2.5 million for the years ended December 31, 2018 and 2017, respectively, and was recognized as a component of interest expense in the consolidated statements of operations.

Inventories

Inventories are recorded at the lower of cost (first-in, first-out method) or market.

Other Revenue

Other revenue includes certain investment income, rental income, parking and cafeteria revenue, and other non-patient revenue, as well as revenue from non-premium related managed care arrangements.

2. Summary of Significant Accounting Policies (continued)

Non-controlling Interests in Consolidated Entities

Non-controlling interests represent the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The System's accompanying consolidated financial statements include all assets, liabilities, revenues, and expenses at their consolidated amounts, which include the amounts attributable to the System and the non-controlling interests. The System recognizes as a separate component of equity and earnings the portion of income or loss attributable to non-controlling interests based on the portion of each entity not owned by the System.

The System applies the provisions of ASC 810, *Consolidation*, which requires the System to clearly identify and present ownership interests in subsidiaries held by parties other than the System in the consolidated financial statements within the equity section. It also requires the amounts of consolidated net earnings attributable to the System and to the non-controlling interests to be clearly identified and presented on the face of the consolidated statements of operations.

Redeemable Non-controlling Interest in Consolidated Entities

The System consolidates eight subsidiaries with non-controlling interests that include third-party partners that own limited partnership units with certain redemption features, which were acquired in connection with the IASIS Merger. The redeemable limited partnership units require the System to buy back the units upon the occurrence of certain events at the stated redemption value of the units. In addition, the limited partnership agreements for certain of the limited partnerships provide the limited partners with put rights that allow the units to be sold back to the System, subject to certain limitations, at the redemption value of the units. According to the limited partnership agreements, the redemption value of the units for this repurchase purpose is generally calculated as the product of the most current audited fiscal period's EBITDA (earnings before interest, taxes, depreciation, amortization and management fees) and a fixed multiple, less any long-term debt of the entity. In the event of a redemption, the agreed-upon value shall be determined by Steward, as the General Partner, in good faith and an independent third-party valuation may be obtained. The majority of these put rights require an initial holding period of six years after purchase, at which point the holder of the redeemable limited partnership units may put back to the System 20% of such holder's units. Each succeeding year, the number of vested redeemable units will increase by

2. Summary of Significant Accounting Policies (continued)

20% until the end of the tenth year after the initial investment, at which point 100% of the units may be put back to the System. The limited partnership agreements also provide that under no circumstances shall the System be required to repurchase more than 25% of the total vested redeemable limited partnership units in any fiscal year. The equity attributable to these interests has been classified as non-controlling interests with redemption rights in the accompanying consolidated balance sheets.

Accumulated Other Comprehensive Loss – AOCI

Other comprehensive loss includes amounts related to pension plans and unrealized losses related to available-for-sale securities and is reported in the consolidated statements of comprehensive loss. Other comprehensive loss for the years ended December 31, 2018 and 2017, are as follows (in thousands of dollars):

	2018	2017
Balance at beginning of fiscal year	$ (3,772)	$ (1,707)
Other comprehensive loss for the year	(7,342)	(2,065)
Balance at end of fiscal year	$ (11,114)	$ (3,772)

Going Concern Considerations

Given the System has available cash on hand, as well as borrowing capacity on the Revolver, it believes that it will have sufficient capital to satisfy the estimated liquidity needs 12 months from the issuance of the financial statements.

2. Summary of Significant Accounting Policies (continued)

Recently Issued or Adopted Accounting Pronouncements

Newly Adopted

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires entities to measure equity investments except those accounted for under the equity method of accounting or those that result in consolidation of the investee to recognize any changes in fair value in net income/loss. The System adopted this standard prospectively on its required effective date of January 1, 2018. The adoption of this standard did not have a material impact on its consolidated financial statements or disclosures.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 amends the guidance in ASC Topic 230, *Statement of Cash Flows*, which often requires judgment to determine the appropriate classification of cash flows as operating, investing, or financing activities, and has resulted in diversity in practice in how certain cash receipts and cash payments are classified. The System adopted this standard on its required effective date of January 1, 2018. The adoption of this standard did not have a material impact on its statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*. ASU 2016-18 is intended to reduce the diversity in practice around how restricted cash is classified within the statement of cash flows. The System adopted this standard on its required effective date of January 1, 2018. The adoption of this standard did not have a material impact on its statements of cash flows.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business*, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output to be considered a business. The System adopted this standard on its required effective date of January 1, 2018. The adoption of this standard did not have a material impact on its consolidated financial statements or disclosures.

2. Summary of Significant Accounting Policies (continued)

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which removes the second step of the goodwill impairment test that requires a hypothetical purchase price allocation. The System early adopted this standard in 2018. The adoption of ASU 2017-04 did not have a material impact on its consolidated financial statements or disclosures.

Recently Issued

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. An entity also should disclose sufficient quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the System for annual periods beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, *Deferral of the Effective Date*). The System is evaluating the effects the adoption of this standard will have on its consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the System for annual periods beginning after December 15, 2019. While the System expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the consolidated balance sheets, it is evaluating other effects that the new standard will have on its consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which will change how entities account for credit losses for most financial assets, trade receivables, and reinsurance receivables. The standard will replace the existing incurred loss impairment model with a new current expected credit loss model that generally will result in earlier recognition of credit losses. The standard will apply to financial assets subject to credit losses, including loans measured at amortized cost, reinsurance receivables, and certain off-balance sheet credit exposures. Additionally, the impairment of available-for-sale debt securities, including purchased credit deteriorated securities, is subject to the new guidance and will be measured in a similar manner, except that losses will be recognized as allowances rather than reductions in the

2. Summary of Significant Accounting Policies (continued)

amortized cost of the securities. ASU 2016-13 is effective for the System for annual periods beginning after December 15, 2020, with early adoption permitted for annual periods beginning after December 15, 2018. The System is evaluating the effects the adoption of this standard will have on its consolidated financial statements and disclosures.

Subsequent Events

Steward evaluates the impact of subsequent events, which are events that occur after the balance sheet date, but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date or disclosure in the consolidated financial statements. Steward has evaluated the impact of subsequent events initially through June 28, 2019, representing the date at which the consolidated financial statements were available to be issued, and then subsequently through February 26, 2020.

On December 30, 2019, the System sold its managed care plans under Steward Health Choice Arizona, Inc.

3. Executory Contract Assumed Through Acquisition and Contemplated by System, Seller and Advisors as Part of Determining Purchase Price

Executory Information Technology ("IT") Contract

The System has recorded a cumulative of $67.7 million of operating expenses and capital costs associated with an executory IT contract for a new electronic health record and revenue cycle system that was assumed as part of the IASIS transaction. These amounts include implementation fees, service fees, and hosting fees committed to by prior ownership. The impact of the executory IT contract was contemplated by the System, its advisors, and IASIS as part of determining the purchase price for the IASIS net assets acquired. Much like the System would likely have to compensate a third-party buyer or assuming party of the executory contract for the underlying products and services, these amounts were modeled by the System and seller and considered in determining the purchase price for the IASIS net assets acquired. Although many of the amounts were committed to prior to ownership by Steward, certain of these costs are included in net loss in the post-acquisition period. In addition, the System reserved or wrote off $45 million of acquired patient accounts receivable as well as other amounts throughout 2018 that the System believes the collectability was adversely affected by the system issues. The System believes these costs are not reflective of go-forward operating performance, and has taken steps to enter into a replacement contract with a new vendor and address the current assumed contract.

One of the significant financial impacts of the executory IT contract on the System is the impact on timely cash collections of patient accounts receivable balances. The delay in collections has led

3. Executory Contract Assumed Through Acquisition and Contemplated by System, Seller and Advisors as Part of Determining Purchase Price (continued)

to an increase of related days revenue in accounts receivable outstanding, which has been running consistently higher in the facilities operating under the IT contract as compared to the System's other hospitals operating under a different IT contract.

The System has made significant investments to remedy the implementation issues associated with the IT contract. While this has improved collections for services subsequent to the end of the period, the System has taken steps to enter into a replacement contract with a new vendor which they expect will mitigate future degradation in collections.

Subsequent to year-end, the System filed suit against the provider of the executory IT contract assumed as part of the IASIS transaction for "serious and continuing breaches of its obligation to provide a safe and efficient…billing system." As stated in the complaint, "the defective…system has been plagued with errors and workflow problems that have disrupted…billing, delayed accounts receivable, resulted in untimely claims, necessitated thousands of hours of extra work by Steward, and hampered internal communication and reporting." As part of the complaint, the System asserts that it has identified and seeks to recover over $200 million in damages as a result of errors associated with the IT system. The complaint states that, "Since implementing [the product associated with the executory IT contract, the System] has incurred over $210 million in cash losses, including expenditures of over $130 million to implement [the IT system] and roughly $80 million in lost collections." No potential recoveries associated with this claim have been recognized in the accompanying financial statements.

St. Joseph's Medical Center Executory Contract

The System has recognized a cumulative of $20.7 million in operating expense associated with an executory contract assumed as part of the IASIS transaction at St. Joseph's Medical Center in Houston, Texas to remediate CMS survey sanctions. The System, as acquirer, was required to incur additional costs to maintain the license for CMS participation. These costs were contemplated by the System as part of determining the purchase price for the IASIS acquisition. Although the costs were committed to prior to ownership by Steward, these costs increase the net loss in the current period. The Contract terminated in 2018 with successful remediation of the CMS findings.

4. Acquisitions

Steward accounts for all transactions that represent business combinations using the acquisition method of accounting, where the identifiable assets acquired, the liabilities assumed, and any non-controlling interests in the acquired entity are recognized and measured at their fair values on the date the System obtains control in the acquiree. Such fair values that are not finalized for reporting periods following the acquisition date are estimated and recorded as provisional amounts. Adjustments to these provisional amounts during the measurement period (defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired, the liabilities assumed, and any non-controlling interests has been obtained,

limited to one year from the acquisition date) are recorded when identified. Goodwill is determined as the excess of the fair value of the consideration conveyed in the acquisition over the fair value of the net assets acquired.

Transaction expenses related to preliminary and closed acquisitions were approximately $49.8 million during the year ended December 31, 2017.

CHS Transaction

On May 1, 2017, Steward completed the acquisition of eight hospitals with affiliated outpatient service facilities and physician clinics from Community Health Systems, Inc. The hospitals acquired include:

Hospital	Location	Licensed # of Beds
Easton Hospital	Easton, PA	196
Sharon Regional Health System	Sharon, PA	258
Northside Medical Center	Youngstown, OH	355
Trumbull Memorial Hospital	Warren, OH	311
Hillside Rehabilitation Hospital	Warren, OH	69
Wuesthoff Health System – Rockledge	Rockledge, FL	298
Wuesthoff Health System – Melbourne	Melbourne, FL	119
Sebastian River Medical Center	Sebastian, FL	154
		1,760

4. Acquisitions (continued)

Subsequent to the completion of the acquisition, Steward closed the inpatient service lines at Northside Medical Center. Multiple medical practices continue at the location along with outpatient lab services, radiology, mammography and sleep studies.

The total purchase price of $311.9 million comprised cash consideration of approximately $3.7 million, $301.3 million in assumption of financing obligations to Medical Properties Trust (MPT) and approximately $6.9 million in non-controlling interests in the acquiree.

The cash consideration was provided by the System for the purchase of the personal property and operations of the Hospitals. The financing obligations were assumed in connection with a sale-leaseback arrangement under the MPT Master Lease Agreement between MPT and CHS for all real property previously owned by CHS (MPT/CHS Transaction).

The following table summarizes the estimated fair values of the assets acquired, liabilities assumed, and consideration transferred at the acquisition date of May 1, 2017 (in thousands):

Property and equipment	$	282,226
Other assets		44,044
Total assets acquired		326,270
Liabilities		14,341
Total liabilities assumed		14,341
Net assets acquired		311,929
Cash consideration		3,742
MPT financing obligation		301,292
Non-controlling interests		6,895
Total consideration	$	311,929

IASIS Merger

On September 29, 2017, the System completed the IASIS Merger by acquiring all of the outstanding shares of IASIS Healthcare Corporation.

Cash provided by Steward totaled $419.2 million. Additional cash consideration received from by MPT approximated $115 million toward the merger partially in exchange for equity interests in Steward.

4. Acquisitions (continued)

In connection with the IASIS Merger, MPT and IASIS entered into a sale-leaseback and mortgage financing arrangement (MPT/IASIS Transaction) immediately prior to the merger, which consisted of a sale of certain real estate holdings of IASIS totaling $710 million and a mortgage financing for certain real estate holdings of IASIS for an additional $700 million. Steward assumed the MPT financing obligation under the MPT Master Lease Agreement and mortgage as part of the merger. In addition, Steward acquired $104.7 million in non-controlling interests as part of the IASIS Merger.

At the time of the completion of the IASIS Merger, IASIS owned and operated seventeen hospitals, one behavioral health hospital, and several affiliated outpatient service facilities and physician clinics. The hospitals acquired include:

Hospital	Location	Licensed # of Beds
Davis Hospital and Medical Center	Layton, UT	220
Jordan Valley Medical Center	West Jordan, UT	172
Jordan Valley Medical Center—West	West Valley, UT	102
Mountain Point Medical Center	Lehi, UT	40
Salt Lake Regional Medical Center	Salt Lake City, UT	158
Mountain Vista Medical Center	Mesa, AZ	178
St. Luke's Medical Center	Phoenix, AZ	200
St. Luke's Behavioral Health Center	Phoenix, AZ	124
Tempe St. Luke's Hospital	Phoenix, AZ	87
Odessa Regional Medical Center	Odessa, TX	225
Southwest General Hospital	San Antonio, TX	327
St. Joseph Medical Center	Houston, TX	790
The Medical Center of Southeast Texas	Port Arthur, TX	199
The Medical Center of Southeast Texas—Victory	Beaumont, TX	17
Wadley Regional Medical Center	Texarkana, TX	370
Glenwood Regional Medical Center	West Monroe, LA	278
Wadley Regional Medical Center	Hope, AR	79
Pikes Peak Regional Hospital	Woodland Park, CO	15
		3,581

In connection with the IASIS Merger, Steward also acquired Health Choice and related entities, a managed care organization and insurer that delivers healthcare services to members through multiple health plans, accountable care networks, and managed care solutions. Health Choice is headquartered in Phoenix, Arizona.

4. Acquisitions (continued)

The following table summarizes the estimated fair values of the assets acquired, liabilities assumed and consideration transferred at the merger date of September 29, 2017 (in thousands):

Cash and cash equivalents	$ 88,572
Patient accounts receivable	329,902
Other accounts receivable	88,534
Estimated settlements with third-party payors	5,126
Inventories	68,253
Prepaid expenses	27,643
Other current assets	6,026
Property and equipment	1,786,456
Other assets	43,010
Intangible assets	70,413
Total assets acquired	2,513,935
Current portion of long-term debt	6,442
Accounts payable and accrued expenses	126,363
Medical claims	145,176
Sale-leaseback financing obligation	35,452
Other current liabilities	231,218
Deferred taxes	268,461
Other liabilities	59,789
Total liabilities assumed	872,901
Net assets acquired	1,641,034
Cash consideration	534,199
MPT financing obligation	1,410,000
Non-controlling interest	104,770
Total consideration	$ 2,048,969
Goodwill	$ 407,935

4. Acquisitions (continued)

As part of the IASIS Merger, the System acquired separately identifiable intangible assets in Health Choice's contract with AHCCCS valued at $5.2 million and amortized over 15 years and member relationships valued at $64.1 million and amortized over 8 years. As of December 31, 2018, the contract with AHCCCS and the member relationships intangibles were $4.8 million and $54.1 million, net of accumulated amortization, respectively. The System expects total amortization expense for these intangible assets to be $8.4 million per year for the next five years.

The System's final valuation of the fair market value of the IASIS Merger's assets and liabilities resulted in adjustments to the preliminary opening balance sheet. The adjustments primarily related to the final valuation of property and equipment and intangible assets resulting in a decrease to goodwill of $29.6 million during 2018.

The total consideration of the IASIS Merger has been allocated to the assets acquired and liabilities assumed based upon their respective fair values. The purchase price represented a premium over the fair value of the net tangible and identifiable intangible assets acquired for reasons such as:

- The expansion of the number of markets in which the System operates;
- The extension and strengthening of the System's hospital and physician networks;
- The expansion of the System's ACO and value-based strategies into new markets;
- The centralization of many support functions; and
- The elimination of duplicate corporate functions.

5. Charity Care

Steward provides care without charge or at amounts less than established rates to patients who meet certain criteria under the System's charity care policies. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The estimated cost of this charity care for 2018 and 2017 was approximately $27.8 million and $30.8 million, respectively. The cost of charity care is estimated using the cost-to-charge ratio for each Steward facility.

6. Third-Party Reimbursement

Steward and its subsidiaries have agreements with third-party payors that provide for payments to the respective organizations at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

The System's acute care hospitals are subject to a federal prospective payment system (PPS) for Medicare non-capitated inpatient hospital services, inpatient psychiatric facility services, inpatient rehabilitation facility services, inpatient skilled nursing facility services, and certain outpatient services. Under these prospective payment methodologies, Medicare pays a prospectively determined rate per discharge, per day, or per visit for non-physician services.

These rates vary according to the Diagnosis Related Group (DRG), Resource Utilization Group, or Ambulatory Payment Classification of each patient. Capital costs related to Medicare inpatient PPS services are paid based upon a standardized amount per discharge weighted by DRG. Certain outpatient services are reimbursed according to fee screens. The hospitals are reimbursed for cost-reimbursable items at a tentative interim rate, with final settlement determined after submission of annual cost reports, audits thereof by the Medicare fiscal intermediary, and other subsequent reviews by the applicable review boards, if deemed necessary. The System also receives Medicare supplemental payments, referred to as disproportionate share, based on the number of Medicaid and similar patients it serves. Final settlements of disproportionate share payments are also determined after submission of annual cost reports, audits thereof by the Medicare fiscal intermediary, and other subsequent reviews by the applicable review boards, if deemed necessary. Laws and regulations governing the Medicare and Medicaid programs, including those related to the disproportionate share formula and the requirements for inclusion of certain types of patient days, are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates, including recorded patient service revenue related to disproportionate share payments, will change by a material amount in the near term.

Medicaid

Medicaid programs are jointly funded by federal and state governments and are administered by states under an approved plan that provides hospital and other healthcare benefits to qualifying individuals who cannot afford care. All of the System's hospitals are certified as providers of Medicaid services. State Medicaid programs may use a prospective payment system, cost-based payment system or other payment methodology for hospital services. However, Medicaid reimbursement is often less than a hospital's cost of services.

6. Third-Party Reimbursement (continued)

Inpatient services rendered to Medicaid program beneficiaries are reimbursed on an interim prospectively determined per diem rate. Outpatient services rendered to Medicaid program beneficiaries are reimbursed on an interim prospectively determined per-visit amount. Final determination of amounts reimbursed is subject to review and settlement by appropriate governmental authorities or their agents.

Texas Supplemental Medicaid Programs

All of the acute care hospitals acquired from the IASIS Merger in Texas currently receive supplemental Medicaid reimbursement. Programs approved by Centers for Medicare & Medicaid Services (CMS) have expanded the community healthcare safety net by providing indigent healthcare services. Under the Medicaid waiver, funds are distributed to participating hospitals based upon both the costs associated with providing care to individuals without third-party coverage and the investment made to support coordinating care and quality improvements that transform the local communities' care delivery systems. The responsibility to coordinate and develop plans that address the concerns of the local delivery care systems, including improved access, quality, cost effectiveness, and coordination, will be controlled primarily by public hospitals or local government entities that serve the surrounding geographic areas. Complexities of the underlying methodologies in determining the funding for the state's Medicaid supplemental reimbursement programs, along with a lack of sufficient resources at the Texas Health and Human Services Commission to administer the programs, have historically resulted in a delay in related reimbursements. As of December 31, 2018 and 2017, respectively, the System has $42.9 million and $62.3 million in receivables due to Texas hospitals in connection with these supplemental reimbursement programs. Revenue recognized under these Texas private supplemental programs, including Texas Medicaid DSH, totaled $73.6 million and $15.0 million in 2018 and 2017, respectively.

Other Payor Arrangements

The System has entered into other payment agreements with various other HMOs and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge and per day; discounts from established charges; fee screens; and capitation fees earned on a per-member, per-month basis.

6. Third-Party Reimbursement (continued)

Net Patient Service Revenue by Major Source of Payor

For the years ended December 31, 2018 and 2017, the System's net patient service revenue by major source of payor consisted of the following:

	2018	2017
Government-based payors	**37%**	38%
Commercial-based payors	**49**	48
Self-pay payors	**10**	9
Other payors	**4**	5
	100%	100%

7. Property and Equipment

Property and equipment at December 31, 2018 and 2017, consisted of the following (in thousands of dollars):

	2018	2017
Land and improvements	**$ 4,299**	$ 195,926
Building and improvements	**731,855**	1,954,351
Equipment	**1,110,740**	930,583
Leasehold improvements	**102,955**	87,291
	1,949,849	3,168,151
Less accumulated depreciation and amortization	**(659,768)**	(601,045)
	1,290,081	2,567,106
Construction-in-progress	**49,705**	88,541
	$ 1,339,786	$ 2,655,647

For the years ended December 31, 2018 and 2017, the System capitalized software costs of $89.1 million and $7.5 million, respectively, included in equipment above.

8. Long-Term Debt

The table below shows the System's long-term debt as of December 31, 2018 and 2017, (in thousands of dollars):

	2018	2017
Mortgage liabilities	$ 727,000	$ 1,314,808
Revolving credit agreement	565,000	615,000
Equipment master lease	15,202	22,080
Capital lease obligations	27,710	34,865
Other long-term debt	18,397	257
Total long-term debt	1,353,309	1,987,010
Less current portion	(17,875)	(79,853)
	$ 1,335,434	$ 1,907,157

Future payments related to the System's long-term debt at December 31, 2018, are as follows for the years indicated (in thousands of dollars):

	Mortgage Liabilities	Revolving Credit Agreement	Other
2019	$ –	$ –	$ 21,040
2020	–	–	11,309
2021	–	–	7,065
2022	–	565,000	4,253
2023	–	–	14,052
Thereafter	727,000	–	9,155
Total payments	$ 727,000	$ 565,000	66,874
Less amounts representing interest			(5,565)
			$ 61,309

8. Long-Term Debt (continued)

Real Estate Loan Agreement

The System entered into a series of agreements with MPT related to the real property of nine acute care hospital campuses in October 2016. As part of this transaction, the System obtained mortgage financing for four of Steward's hospital campuses (the 2016 Mortgages) in the amount of $600 million, assumed financing obligations under the MPT Master Lease Agreement for the other five campuses and sold MPT a 4.9% preferred equity interest in the System. The 2016 Mortgages were secured by the real property associated with the mortgaged hospital campuses located in Massachusetts, among other items. On September 29, 2017, the date of the IASIS Merger, Steward entered into a Joinder and Amendment to Real Estate Loan Agreement (the Mortgage Joinder) that amended the 2016 Mortgages. As a result of this Mortgage Joinder, additional loan proceeds totaling $700 million were provided simultaneously with the IASIS Merger (the 2017 Mortgages) to retire outstanding debt of IASIS. Additionally, $15 million was added to the loan bases for the 2016 Mortgages. The 2017 Mortgages were secured by the real property associated with hospital campuses located in Utah acquired as part of the IASIS Merger. On November 30, 2018, Steward entered into amendments to the 2017 Mortgages increasing the principal amount of these mortgages by $27 million. The 2017 Mortgages bear the same interest rate as the 2016 Mortgages of 7.5% for 2018. All payment terms and the maturity date of October 31, 2031 are identical to the 2016 Mortgages as a result of the Mortgage Joinder.

In 2018, the real property associated with the 2016 Mortgages was sold to MPT in exchange for $42.8 million in cash and the repayment of the 2016 Mortgages. The system simultaneously entered into leases with MPT under the MPT Master Lease Agreement for the four hospital campuses that were sold. As a result, approximately $3.5 million of previously capitalized debt issuance costs were written off as additional interest expense in 2018.

For the years ended December 31, 2018 and 2017, interest expense under both sets of mortgage agreements was approximately $95.1 million and $57.3 million, respectively.

The mortgage agreements, as amended, contain certain affirmative covenants and events of default, which, among other things, require the System to maintain compliance with certain financial covenants. As of December 31, 2018, Steward was in compliance with the covenants.

8. Long-Term Debt (continued)

Revolving Credit Agreement

On June 20, 2011, Steward and certain of its subsidiaries and affiliates (as co-borrowers) and Steward Health Care Holdings LLC, a controlled affiliate of the financial sponsor and Steward's parent (as guarantor), entered into a Credit Agreement (Revolver) with three financial institutions as lenders. On March 6, 2017, Steward entered into the Tenth Amendment to the Revolver which amended provisions that had no significant accounting impact. On May 1, 2017, Steward entered into the Eleventh Amendment to the Revolver, which increased the revolving commitments by a total of $155 million, to bring total revolving commitments to $355 million. On September 29, 2017, Steward entered into the Twelfth Amendment to the Revolver, which increased the revolving commitments by a total of $370 million, to bring total revolving commitments to $725 million. The Twelfth Amendment included a First In Last Out (FILO) facility of $125 million, which initially matured in February 2018. An additional $16.6 million in debt issuance costs was deferred during 2017 as a result of these amendments. On January 30, 2018, Steward entered into the Thirteenth Amendment, which extended $65 million of the FILO credit facility to February 2019. Steward entered into the Fourteenth Amendment to the Revolver on March 13, 2018, and the Fifteenth Amendment to the Revolver on May 2, 2018, which amended provisions that had no significant accounting impact. On February 1, 2019, Steward entered into the Sixteenth Amendment and on February 12, 2019, Steward entered into a FILO Commitment Increase Agreement, which extended $65 million of the FILO credit facility to September 29, 2022, coterminous with the System's other revolving commitments. On April 5, 2019, Steward entered into a FILO Commitment Increase Agreement, which increased the FILO facility by $45 million, coterminous with the System's other revolving commitments. Collectively, the Credit Agreement and the Amendments are referred to hereinafter as the Revolver.

As of December 31, 2018, the System had an outstanding balance, issued letters of credit, and borrowing availability on the Revolver of approximately $565 million, $17.9 million, and $82.1 million, respectively. The borrowing rate at December 31, 2018, was 5.0625% for Eurodollar loans and 7.0% for ABR loans. Interest expense under the Revolver for the years ended December 31, 2018 and 2017, was approximately $29.3 million and $9.8 million, respectively. Under the Revolver, the System may request Letters of Credit at any time, and from time to time prior to the Maturity Date, up to an aggregate amount of $75.0 million.

Upon the occurrence of an event of default, including payment defaults; breaches of covenants; and certain levies, attachments, and other restraints on the System's business, the commitments under the Revolver may terminate and all outstanding obligations will become immediately due and payable.

8. Long-Term Debt (continued)

The Revolver also contains subjective acceleration clauses, which provide the lenders the ability to demand repayment of the loan early upon certain conditions that constitute a material adverse change, as defined.

Borrowings under the Revolver are secured by tangible assets of the System, excluding real property assets.

Equipment Master Lease Agreement

On March 12, 2012, Steward entered into an Equipment Master Lease agreement to finance the purchase of property, plant, and equipment. Amounts borrowed under the Equipment Master Lease are payable in equal monthly installments over five years and bear interest as of December 31, 2018, at approximately 7.5% annually. Interest expense recorded under the Equipment Master Lease was approximately $1.2 million and $1.4 million for the years ended December 31, 2018 and 2017, respectively.

As long as amounts are outstanding, the Equipment Master Lease requires Steward to maintain financial covenants with respect to a Fixed Charge Coverage Ratio and a Funded Debt to EBITDA ratio. For the quarter ended December 31, 2018, Steward has not demonstrated compliance with a portion of the required thresholds. However, the terms of the Equipment Master Lease provide for a 30-day cure period before such defaults are considered events of default. Steward believes that the defaults will be cured within the cure period and therefore has concluded that these defaults do not constitute an event of default.

Borrowings are secured by the underlying equipment leased under the Equipment Master Lease. The net book value of equipment acquired under the Equipment Master Lease as of December 31, 2018 and 2017, was approximately $26.6 million and $33.3 million, respectively.

Other Capital Leases

In addition to leases outstanding under the Equipment Master Lease discussed above, Steward and its affiliates lease equipment under various other capital leases. The net book value of equipment recorded under capital leases other than the Equipment Master Lease amounted to approximately $19.2 million and $14.6 million at December 31, 2018 and 2017, respectively.

9. Leases

The System leases various buildings, office space, and equipment under capital and operating lease agreements. These leases expire at various times and have various renewal options. Rent expense amounted to approximately $212.9 million and $106.3 million for the years ended December 31, 2018 and 2017, respectively.

On October 26, 2018, Steward entered into an amendment of the MPT Master Lease Agreement which removed provisions that implied continuing involvement for the majority of the underlying properties. Previously, these transactions were accounted for under the guidance as sale-leaseback financing obligations, as the System was deemed to have continuing involvement in the assets on their respective date of transaction that was technically prohibited per the guidance in ASC Subtopic 840-40, *Leases – Sale-Leaseback Transactions*. Therefore, Steward recorded current and long-term sale-leaseback financing obligations for these properties. The System recorded interest expense of approximately $39.6 million and $31.4 million related to these financing obligations during the years ended December 31, 2018 and 2017, respectively.

For the properties that qualified for sale-leaseback accounting as a result of the amendment of the MPT Master Lease Agreement, Steward recorded a deferred gain of $688.1 million in the accompanying consolidated balance sheet and recognized a net gain of $3.9 million immediately in the accompanying consolidated statements of operation. The Master Lease Agreement has three five-year options to extend and contains a rent escalator that is adjusted annually.

Future minimum lease payments as of December 31, 2018, are as follows (in thousands):

	Operating leases	Financing Obligations
2019	$ 321,720	$ 16,107
2020	314,885	17,045
2021	311,361	17,383
2022	299,835	17,729
2023	292,384	18,082
Thereafter	1,707,499	142,654
Total payments	$ 3,247,684	$ 229,000
Less amounts representing interest		(35,487)
		$ 193,513

9. Leases (continued)

Lease rental income was approximately $23.4 million and $10.1 million for the years ended December 31, 2018 and 2017, respectively. Minimum future rental income under operating subleases as of December 31, 2018, is as follow (in thousands):

2019	$ 15,817
2020	10,013
2021	8,180
2022	7,674
2023	5,968
Thereafter	5,204
Total rental income	$ 52,856

10. Goodwill

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated balance sheets as of December 31, 2018 and 2017 (in thousands of dollars):

	2018	2017
Beginning Balance	$ 512,952	$ 75,406
IASIS Merger purchase price accounting adjustments	(29,611)	-
Decrease in goodwill resulting from sale of business	(8,867)	-
Goodwill acquired during the year	-	437,546
Ending Balance	$ 474,474	$ 512,952

11. Deferred Gains

Deferred gain liabilities at December 31, 2018 and 2017, consisted of the following (in thousands of dollars):

	2018	2017	
Deferred gain on sale-leasebacks, net	$ 687,304	$ 25,474	(a)
Deferred gain on asset purchase agreement – Quest Diagnostics	16,000	19,000	(b)
Other	–	1,831	
Total deferred gain liabilities	$ 703,304	$ 46,305	

(a) During 2018, $12.1 million of deferred gains from sale-leaseback transactions was amortized against rent expense on a straight-line basis.

(b) On April 15, 2014, Steward entered into an Asset Purchase Agreement (APA) and a non-compete agreement with Quest Diagnostics LLC (Quest), in which Quest agreed to give Steward total consideration of approximately $35 million in exchange for purchasing Steward's clinical laboratory testing and cytology services businesses and in exchange for entering into a non-compete agreement. Of the total consideration of $35 million, $30 million was paid by Quest as of the date of closing of the APA, and is being recognized by Steward on a straight-line basis over the ten-year term of the non-compete agreement. The recognition of the consideration received is included within other revenue in the consolidated statements of operations.

12. Members' Equity

The System has two authorized classes of membership interests in the form of common membership interests and preferred membership interests.

As of December 31, 2018 and 2017, there were 100 common membership interests authorized and outstanding. All of the System's outstanding common membership interests are held by Steward Health Care Holdings LLC, a controlled affiliate of the financial sponsor. The System may issue additional common membership interests only by the vote or written consent of the members holding a majority of the membership interests. Each membership interest represents the holder's interest in the net profits, losses, and distributions of the System.

On October 3, 2016, the System issued 5.1424 preferred membership interests. These interests were issued in exchange for consideration of $50 million. On September 29, 2017, the System

12. Members' Equity (continued)

issued 5.84539 preferred membership interests. These interests were issued in exchange for consideration of $100 million. These interests in total remain authorized and outstanding as of December 31, 2018. The preferred interests are held by MPT Sycamore OPCO LLC and were purchased as part of the MPT transaction in 2016 and the IASIS Merger in 2017. The preferred membership interests, with respect to rights upon liquidation, dissolution, or winding up of the affairs of the System, rank senior and prior to the common membership interests. These preferred interests are not redeemable, and are convertible into common membership interests based on the conversion ratio in effect at the time of conversion. Dividends are payable when, as, and if declared by the Management Board.

Equity Incentive Plan

Certain of the System's management have been awarded Class A1, B4, and C1 Interests in Steward Health Care Investors LLC (Investors), a controlled affiliate of the financial sponsor and the holder of all of the outstanding membership interests of Steward Health Care Holdings LLC. The Class A1, B4 and C1 Interests typically vest over a four-year period subject to meeting the time-based and performance-based requirements defined in the individual award agreements. In the event of a sale of all or substantially all of the assets of Investors, and provided the holder of the interests remains employed on the date the sale is consummated, any time-based interests not then vested will become fully vested.

For Class A1 and B4 Interests, vested and unvested interests are forfeited without payment of any consideration when an employee is terminated for cause. If the employee ceases to provide services to the System for any other reason, the unvested interests are forfeited and any vested interests are retained, subject to Investors exercising their right to repurchase the vested interests at fair value as provided for in the award agreement. For Class C1 Interests, vested and unvested interests are forfeited without payment of any consideration when an employee ceases employment with the System.

The Class A1, B4 and C1 Interests are considered a share-based payment and are therefore accounted for in accordance with ASC 718, *Compensation – Stock Compensation*, which requires that the cost of equity-based awards be measured based on the grant date fair value of the award and recognized in the System's consolidated financial statements over the period during which an employee is required to provide service in exchange for the award or the requisite service period. The grant date fair values of those interests subject to time-based vesting requirements are recognized on a straight-line basis over the vesting period. The grant date fair values of those interests subject to performance-based vesting requirements are recognized using an accelerated

12. Members' Equity (continued)

attribution method over the vesting period, subject to a determination by management that the performance-based vesting requirements are probable of being achieved.

13. Employees' Retirement Plans

Defined Contribution Plans

Certain of the System's subsidiaries maintain the Steward Health Care 401(k) Retirement Savings Plan. Participants in this plan have to perform one year of continuous service, work at least 1,000 hours during each year, and have reached the age of 21 in order to be eligible to receive a match under the plan. Under the Steward Health Care 401(k) Retirement Savings Plan, the participating subsidiaries contribute an amount equal to one-half of the participant's contribution, up to 6%, 8%, or 10% of the eligible participant's wages depending on age and years of service. Certain members of the multiemployer plan are not eligible for matching contributions.

The System maintains the Steward Health Care Acquisition 401(k) Retirement Savings Plan for the employees of the former CHS Hospitals acquired May 1, 2017. Non-union employees are eligible to participate in the plan day one, Pennsylvania union employees excluding Service Employee International Union are eligible to participate after six months of service, and Service Employee International Union and Ohio union employees are eligible to participate after three months of service. The employer matching contributions vary by location and union/non-union status. Match is paid on or around the last day of the first quarter following the end of the plan year.

Additionally, the System maintains the IASIS Health Care 401(k) Retirement Plan. Employees who elect to participate generally make contributions from 1% to 20% of their eligible compensation, and the System matches, at its discretion, such contributions up to a maximum percentage. Employees immediately vest 100% in their own contributions and generally vest in the employer portion of contributions over a period not to exceed five years.

Expense under defined contribution plans amounted to approximately $20.7 million and $24.4 million for the years ended December 31, 2018 and 2017, respectively. The Steward Health Care Acquisition 401(k) Retirement Savings Plan and IASIS Health Care 401(k) Retirement Plans merged into the Steward Health Care 401(k) Retirement Savings Plan effective January 1, 2019.

13. Employees' Retirement Plans (continued)

Deferred Compensation Plans

Certain of the System's employees participate in a deferred compensation plan whereby the participant can elect to defer up to 50% of his or her annual base salary and bonus compensation. Contributions related to salary and bonus compensation are 100% vested. The System has purchased a group life insurance contract in which the employees' contributions are invested. The cash surrender value of the insurance contract totaled $23.5 million and $22.3 million as of December 31, 2018 and 2017, respectively, and the balances are recorded as a component of other assets in the consolidated balance sheets. Steward has also recorded an obligation representing the value of the employee contributions of $23.6 million and $21.7 million as of December 31, 2018 and 2017, respectively, recorded as a component of other liabilities in the consolidated balance sheets.

In connection with the IASIS Merger, the deferred compensation plan previously maintained by IASIS was frozen. The assets under this plan totaled $13.7 million and $17.0 million as of December 31, 2018 and 2017, respectively, and the balances are recorded as a component of other assets in the consolidated balance sheet. Steward has also recorded an obligation representing the value of these employee contributions of $15.4 million and $18.6 million as of December 31, 2018 and 2017, respectively, recorded as a component of other liabilities in the consolidated balance sheets.

Multiemployer Plan

On December 15, 2015, Steward entered into an Agreement of Merger and a Participation Agreement whereby it merged the Norwood, Good Samaritan, Morton, and Caritas Plan defined benefit plans (collectively, the Legacy Plans) into the Nurses and Local 813 IBT Retirement Fund (the Plan), a tax-qualified multiemployer defined benefit plan pursuant to Section 3(37)(A) of the Employee Income Security Act of 1974, as amended (ERISA) and U.S. Department of Labor Regulation 2510.3-37, which was established on January 1, 1962, and includes more than 160 contributing employers (the Merger). As a result of the Merger, the Legacy Plans were terminated and the related assets and obligations were transferred to and assumed by the Plan and Steward became a contributing employer to the Plan.

Steward transferred approximately $528.7 million of Legacy Plan assets to the Plan in connection with the Merger. The assets transferred included contributions of approximately $21.6 million to the Legacy Plans as a condition of the Merger in order to fund the Legacy Plans to a level that would represent full funding as specified in the Agreement of Merger assuming an investment

13. Employees' Retirement Plans (continued)

return of 7.25%. The assets transferred also included an additional $5.0 million contribution as a condition of the Merger to further improve the overall funded status of the Plan.

The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- All plan assets are available to satisfy all plan liabilities, and therefore assets, contributed by Steward to the Plan, including those assets contributed in connection with the Merger, can be used to satisfy the liabilities associated with the other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.
- If Steward opts to stop participating in the Plan, Steward can be assessed a withdrawal liability based on the underfunded status of the Plan and the System's history of participation in the Plan prior to its cessation from the Plan.

Under the terms of the Participation Agreement entered into between Steward and the Plan in connection with the Merger, Steward will be responsible to make contributions to the Plan as required under the applicable collective bargaining agreements between Steward and certain of its employees who, as a result of the Merger, are participating employees in the Plan.

In addition, Steward may be required to make additional contributions pursuant to an Allocation Policy provided for in the Participation Agreement. The Allocation Policy will provide for an allocation of expenses, losses, and gains for the Plan as a whole, as specified in the Participation Agreement, based on the ratio of the accrued liability for the Legacy Plan segment of the Plan (determined on a notional basis) to the total accrued liability of the Plan. Although an accrued liability is determined for the Legacy Plans to facilitate the calculation of any additional contributions by Steward to the Plan in accordance with the Participation Agreement, the accrued liability is determined on a notional basis solely for purposes of determining any additional contributions and is not indicative of a segregation of assets or obligations. The Plan is a multiemployer plan as previously described, and the Plan's Trust Agreement explicitly provides that all Plan assets are available to satisfy all Plan liabilities.

Additional contributions, if any, pursuant to the Allocation Policy are determined based on the expenses, losses, and gains for the Plan as a whole. As a result, the nature of the Allocation Policy reflects a pooling of risks in that any expenses, gains, and losses that may be attributable to the

13. Employees' Retirement Plans (continued)

notional Legacy Plan segment may be offset by the expenses, gains, and losses incurred in the remainder of the Plan. Accordingly, additional contributions, if any, are not solely attributable to the experience of the notional Legacy Plan segment but are based on the experience of the Plan as a whole.

Steward's participation in the Plan for the years ended December 31, 2018 and 2017, is outlined in the table below. The "EIN Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act zone status available is for the Plan's year beginning January 1, 2019.

The zone status is based on information that Steward received from the Plan and is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the Plan is subject.

Pension Fund	EIN/Plan Number	Zone Status	FIP/RP Status	Contributions: 2018	Contributions: 2017 (b)	Surcharge Imposed Y/N	Expiration Date of CBAs (a)
Nurses and Local 813 IBT Retirement Plan	13-3628926/001	Green	Implemented	$8.1 million	$7.7 million	No	11/1/19–12/31/22

(a) As of December 31, 2018, Steward is party to six collective bargaining agreements that require contributions to the Plan. Expiration dates of these collective bargaining agreements range between November 1, 2019 and December 31, 2022. Effective January 1, 2019, certain employees at Holy Family Hospital – Methuen will become participants in the Plan. This agreement expires November 30, 2019.

(b) These contributions represented more than 5% of total contributions to the Plan as indicated in the Plan's most recently available Form 5500 for the 2017 plan year ended December 31, 2017.

13. Employees' Retirement Plans (continued)

On August 2, 2018, the Plan was amended to allow for certain participants to receive their benefit in the form of a lump sum payment.

14. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) elimination of the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; and (3) changing rules related to the usage and limitation of net operating loss carryforwards created in tax years beginning after December 31, 2017.

U.S. GAAP requires the impact of tax legislation to be recorded in the period of enactment. However, in response to the complexities of the Tax Act, the Securities and Exchange Commission (SEC) issued guidance through Staff Accounting Bulletin No. 118 (SAB 118) to provide companies with relief. The System applied the provisional guidance under SAB 118 since no specific authoritative guidance had been issued for private companies. Specifically, when the initial accounting for items under the Tax Act was incomplete, the guidance allowed companies to include provisional amounts when reasonable estimates could be made. The SEC provided up to a one year measurement period for companies to finalize the accounting for the impact of the new legislation. The Tax Act contributed to a net deferred tax benefit for the System because of lower tax rates expected to be applied to net deferred tax liabilities in the future as well as because of the change in limitation on net operating loss carryforwards. In accordance with SAB 118, the System recorded $7.6 million of deferred tax benefit as a provisional amount and reasonable estimate in connection with the remeasurement of certain deferred tax assets and liabilities net of valuation allowances as of December 31, 2017. During 2018 the System completed its accounting for the tax effects of enactment of the Tax Act, and no material adjustments were required to the provisional amounts recorded in 2017.

14. Income Taxes (continued)

The provision for income taxes for the years December 31, 2018 and 2017 consists of the following (in thousands of dollars):

	2018	2017
Current:		
Federal	$ 33,256	$ 117,821
State and local	7,845	15,221
Deferred:		
Federal	(31,873)	(218,612)
State and local	1,536	(26,623)
Total income tax expense (benefit)	$ 10,764	$ (112,193)

The difference between the tax provision computed at the statutory rate and the tax provision recorded by Steward for the year ended December 31, 2018 primarily relates to changes in the reserve under ASC 740-10 as well as changes to the valuation allowance, and for the year ended December 31, 2017 primarily relates to changes in the System's federal and state tax rates as well as changes to the valuation allowance.

The System's deferred tax assets and liabilities as of December 31, 2018 and 2017, are as follows (in thousands of dollars):

	2018	2017
Deferred tax assets	$ 586,435	$ 826,571
Deferred tax liabilities	(291,949)	(582,150)
Valuation allowance	(294,965)	(257,625)
Net deferred tax liabilities	$ (479)	$ (13,204)

For the years ended December 31, 2018 and 2017, significant components of deferred tax assets include deferred gains, net operating losses, other accrued liabilities, and future rent obligations. Deferred tax liabilities relate primarily to fixed assets and intangible assets.

Steward has maintained a valuation allowance to recognize only the portion of deferred tax assets more likely than not to be realized. The valuation allowance increased by approximately $37 million during the year ended December 31, 2018, primarily as a result of generating deferred tax assets related to net operating losses.

14. Income Taxes (continued)

As of December 31, 2018, Steward had federal net operating loss carryforwards of approximately $16.5 million available to reduce future taxable income, which have no expiration under the new rules under the Tax Act. Steward had state net operating loss carryforwards available to offset future taxable income of approximately $637 million, which are expected to expire between 2027 and 2038. In addition, credit carryforwards of $13.1 million available to offset future federal income tax.

The statute of limitations for assessment by the Internal Revenue Service and most state tax authorities is open for tax years ended December 31, 2015 and subsequent for Steward Health Care System LLC and for tax years ended September 30, 2016 and subsequent for the entity acquired in connection with the IASIS Merger. Steward Health Care System LLC is currently under audit by the IRS for the years ended December 31, 2016 and 2017 and by Massachusetts for the year ended December 31, 2016. The entity acquired in the IASIS Merger is under audit by the state of Texas for its 2014 franchise tax year.

The System records interest and penalties as a component of income tax expense. Cumulatively, as of December 31, 2018 and 2017 the System recorded $30.9 million and $5.4 million of interest and penalties, of which $25.5 million and $5.4 million were recorded for the years ended December 31, 2018 and 2017, respectively.

15. Contingencies

TRACO Malpractice Insurance

Steward and certain of its affiliates and associated physicians secure medical malpractice, comprehensive general liability coverage from TRACO. The System previously maintained professional and general liability insurance in excess of self-insured retentions through a commercial insurance carrier for the System's hospitals acquired in connection with the IASIS Merger. As of December 31, 2018, claims pertaining to these hospitals were covered by TRACO. TRACO provides insurance coverage on a modified claims-made basis through the issuance of two separate policies: a claims-made policy that covers claims made during its term, but not those occurrences for which claims may be made after expiration of the policy; and an IBNR policy that covers those claims that arose during the term of the policy but were not known or reported until after the policy term expired. The TRACO premium is a fixed annual premium and is actuarially determined.

15. Contingencies (continued)

The amount of professional and comprehensive general liability insurance expense is based upon estimates prepared by independent actuaries. The accrual for professional and comprehensive general liability costs includes a provision for asserted and unasserted claims and is recorded on an expected, undiscounted basis. TRACO's estimate of malpractice and other insurance liabilities is based upon complex actuarial calculations that utilize factors such as historical claims experience for TRACO and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions of estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated. The System's net professional and general liability accrual totaled $127.8 million and $76.2 million as of December 31, 2018 and 2017, respectively.

TRACO participates in two layers of excess liability coverage above the policy limits on its primary policies. TRACO's limits of liability under the first layer are $25.0 million each claim/$25.0 million annual aggregate in excess of the primary policies' limits relative to medical professional and hospital professional liability, and $25.0 million each claim/$25.0 million annual aggregate in excess of the primary policies' limits relative to general liability, including personal injury and advertising injury. Under the second layer, TRACO's limits of liability are $25.0 million each claim/$25.0 million annual aggregate relative to medical professional and hospital professional liability, and $25.0 million each claim/$25.0 million annual aggregate relative to general liability on claims exceeding the limits of the first layer. The System reinsures 100% of the excess liability coverage, subject to the same limits of liability as the excess coverage.

Workers' Compensation Liability Risks

The System is subject to claims and legal actions in the ordinary course of business relative to workers' compensation. To cover these types of claims, the System maintains workers' compensation insurance coverage with a self-insured retention. The System accrues costs of workers' compensation claims based upon estimates derived from its claims experience.

15. Contingencies (continued)

Loss Contingencies

In 2014, a former employee of an entity of Steward filed suit against Steward, alleging breach of contract and breach of the implied covenant of good faith and fair dealing. On June 22, 2017, a jury verdict was returned against Steward for $31.8 million. Of that assessed amount, the jury award was in the amount of $22.6 million and prejudgment interest was in the amount of $9.2 million. On July 3, 2017, Steward filed post-trial motions in the case, asserting among other things that there is no evidence to support the damages awarded and that there were multiple procedural and evidentiary errors made during the course of the trial. On April 18, 2018, the Superior Court conditionally granted Steward's motion for a new trial on damages unless the plaintiff accepted a remittitur of $10.2 million and prejudgment interest in the amount of $7.8 million. On June 29, 2018, the plaintiff accepted the remittitur, and on July 17, 2018, Steward filed an appeal to the Massachusetts Appeals Court. On January 3, 2019, Steward filed a petition for direct appellate review with the Massachusetts Supreme Judicial Court, requesting the Massachusetts Supreme Judicial Court to take the case on direct appellate review. On February 19, 2019, the Massachusetts Supreme Judicial Court accepted Steward's petition to take the case for direct appellate review. Although Steward cannot predict the ultimate outcome of this lawsuit, it believes that the jury's verdict and amount of damages are in error and is vigorously pursuing the case on appeal. At this time, management cannot predict the amount of its payment obligation, but has estimated the range of exposure to be $0.2 million to $18.0 million. It is not possible at this time to reasonably predict the ultimate amount that may be payable within this range.

Other Contingencies

Steward and its subsidiaries are parties to various legal proceedings and potential claims arising in the ordinary course of their business. In addition, the healthcare industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation, as well as regulatory actions, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Such compliance in the healthcare industry has recently come under increased governmental scrutiny. Management does not believe that these matters will have a material adverse effect on Steward's accompanying consolidated financial position, results of operations, or cash flows.

16. Concentrations of Risk

Credit Concentration

Financial instruments that potentially subject Steward and its subsidiaries to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. Steward and its subsidiaries' investments are managed by investment managers based upon guidelines established by the Board.

Patient accounts receivable, net of contractuals and before bad debt, at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Government-based payors	**15%**	19%
Commercial-based payors	**31**	33
Self-pay payors	**43**	40
Other payors	**11**	8
	100%	100%

Although management expects the amounts recorded as net accounts receivable at December 31, 2018 and 2017 to be collectible, this concentration of credit risk is expected to continue in the near term.

Labor Concentration

As of December 31, 2018, approximately 30% of Steward's employees were covered by collective bargaining agreements. Of those covered by collective bargaining agreements, approximately 18% are covered by agreements that expire within one year.