

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 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

Commission file number 333-177186

**MEDICAL PROPERTIES TRUST, INC.  
MPT OPERATING PARTNERSHIP, L.P.**  
(Exact Name of Registrant as Specified in Its Charter)

MARYLAND

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

20-0191742

20-0242069

(I. R. S. Employer  
Identification No.)

1000 URBAN CENTER DRIVE, SUITE 501

BIRMINGHAM, AL

(Address of principal executive offices)

35242

(Zip Code)

**REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (205) 969-3755**

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. 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). 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.

Large accelerated filer

(Medical Properties Trust, Inc. only)

Accelerated filer

Non-accelerated filer

(MPT Operating Partnership, L.P. only)

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 Rule 12b-2 of the Exchange Act). Yes  No

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 8, 2019, Medical Properties Trust, Inc. had 517,440,399 shares of common stock, par value \$0.001, outstanding.

## EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the three and nine months ended September 30, 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.

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**MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.  
AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED September 30, 2019**

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)	September 30, 2019 (Unaudited)	December 31, 2018 (Note 2)
<b>Assets</b>		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	\$ 7,310,604	\$ 5,268,459
Mortgage loans	1,268,563	1,213,322
Net investment in direct financing leases	688,891	684,053
Investment in sale leaseback transactions	1,390,619	—
Gross investment in real estate assets	10,658,677	7,165,834
Accumulated depreciation and amortization	(571,589)	(464,984)
Net investment in real estate assets	10,087,088	6,700,850
Cash and cash equivalents	461,622	820,868
Interest and rent receivables	25,653	25,855
Straight-line rent receivables	299,993	220,848
Equity investments	777,102	520,058
Other loans	521,398	373,198
Other assets	279,297	181,966
<b>Total Assets</b>	<b>\$ 12,452,153</b>	<b>\$ 8,843,643</b>
<b>Liabilities and Equity</b>		
Liabilities		
Debt, net	\$ 6,096,232	\$ 4,037,389
Accounts payable and accrued expenses	249,642	204,325
Deferred revenue	16,377	13,467
Obligations to tenants and other lease liabilities	103,084	27,524
Total Liabilities	6,465,335	4,282,705
Equity		
Preferred stock, \$0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, \$0.001 par value. Authorized 500,000 shares; issued and outstanding — 459,778 shares at September 30, 2019 and 370,637 shares at December 31, 2018	460	371
Additional paid-in capital	5,972,341	4,442,948
Retained earnings	91,535	162,768
Accumulated other comprehensive loss	(90,019)	(58,202)
Treasury shares, at cost	(777)	(777)
Total Medical Properties Trust, Inc. Stockholders' Equity	5,973,540	4,547,108
Non-controlling interests	13,278	13,830
Total Equity	5,986,818	4,560,938
<b>Total Liabilities and Equity</b>	<b>\$ 12,452,153</b>	<b>\$ 8,843,643</b>

See accompanying notes to condensed consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Net Income  
(Unaudited)

(In thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Rent billed	\$ 124,361	\$ 118,238	\$ 343,841	\$ 369,076
Straight-line rent	31,026	18,293	76,813	49,157
Income from direct financing leases	17,502	18,998	52,168	55,613
Interest and other income	51,867	41,467	124,937	130,098
Total revenues	224,756	196,996	597,759	603,944
<b>Expenses</b>				
Interest	64,519	57,215	167,396	172,364
Real estate depreciation and amortization	40,833	29,949	108,161	100,217
Property-related	4,038	2,719	15,394	6,823
General and administrative	23,286	20,982	69,009	58,352
Acquisition costs	—	506	—	917
Total expenses	132,676	111,371	359,960	338,673
<b>Other income (expense)</b>				
Gain on sale of real estate and other, net	209	647,204	62	672,822
Earnings from equity interests	3,474	3,116	11,635	10,542
Unutilized financing fees	(3,959)	—	(4,873)	—
Other	(2,282)	2,595	(1,497)	(4,297)
Total other income	(2,558)	652,915	5,327	679,067
Income before income tax	89,522	738,540	243,126	944,338
Income tax benefit (expense)	745	(2,064)	3,352	(4,802)
<b>Net income</b>	90,267	736,476	246,478	939,536
Net income attributable to non-controlling interests	(481)	(442)	(1,432)	(1,334)
<b>Net income attributable to MPT common stockholders</b>	<b>\$ 89,786</b>	<b>\$ 736,034</b>	<b>\$ 245,046</b>	<b>\$ 938,202</b>
<b>Earnings per common share — basic</b>				
Net income attributable to MPT common stockholders	\$ 0.20	\$ 2.01	\$ 0.60	\$ 2.56
<b>Earnings per common share — diluted</b>				
Net income attributable to MPT common stockholders	\$ 0.20	\$ 2.00	\$ 0.60	\$ 2.56
<b>Weighted average shares outstanding — basic</b>	439,581	365,024	404,902	364,934
<b>Weighted average shares outstanding — diluted</b>	440,933	366,467	406,100	365,784
<b>Dividends declared per common share</b>	<b>\$ 0.26</b>	<b>\$ 0.25</b>	<b>\$ 0.76</b>	<b>\$ 0.75</b>

See accompanying notes to condensed consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 90,267	\$ 736,476	\$ 246,478	\$ 939,536
Other comprehensive income:				
Unrealized loss on interest rate swap	(15,441)	—	(20,699)	—
Foreign currency translation loss	(8,048)	(8,216)	(11,118)	(24,520)
Total comprehensive income	66,778	728,260	214,661	915,016
Comprehensive income attributable to non-controlling interests	(481)	(442)	(1,432)	(1,334)
Comprehensive income attributable to MPT common stockholders	\$ 66,297	\$ 727,818	\$ 213,229	\$ 913,682

See accompanying notes to condensed consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Equity  
(Unaudited)

(In thousands, except per share amounts)	Preferred		Common		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Non- Controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value						
<b>Balance at December 31, 2018</b>	—	\$ —	370,637	\$ 371	\$ 4,442,948	\$ 162,768	\$ (58,202)	\$ (777)	\$ 13,830	\$ 4,560,938
Net income	—	—	—	—	—	75,822	—	—	469	76,291
Unrealized loss on interest rate swap	—	—	—	—	—	—	(3,772)	—	—	(3,772)
Foreign currency translation loss	—	—	—	—	—	—	(5,918)	—	—	(5,918)
Stock vesting and amortization of stock-based compensation	—	—	1,055	1	6,714	—	—	—	—	6,715
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(645)	(645)
Proceeds from offering (net of offering costs)	—	—	20,147	20	354,010	—	—	—	—	354,030
Dividends declared (\$0.25 per common share)	—	—	—	—	—	(97,163)	—	—	—	(97,163)
<b>Balance at March 31, 2019</b>	—	\$ —	391,839	\$ 392	\$ 4,803,672	\$ 141,427	\$ (67,892)	\$ (777)	\$ 13,654	\$ 4,890,476
Net income	—	—	—	—	—	79,438	—	—	482	79,920
Unrealized loss on interest rate swap	—	—	—	—	—	—	(1,486)	—	—	(1,486)
Foreign currency translation gain	—	—	—	—	—	—	2,848	—	—	2,848
Stock vesting and amortization of stock-based compensation	—	—	119	—	6,317	—	—	—	—	6,317
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(670)	(670)
Proceeds from offering (net of offering costs)	—	—	2,467	2	45,321	—	—	—	—	45,323
Dividends declared (\$0.25 per common share)	—	—	—	—	—	(99,093)	—	—	—	(99,093)
<b>Balance at June 30, 2019</b>	—	\$ —	394,425	\$ 394	\$ 4,855,310	\$ 121,772	\$ (66,530)	\$ (777)	\$ 13,466	\$ 4,923,635
Net income	—	—	—	—	—	89,786	—	—	481	90,267
Unrealized loss on interest rate swap	—	—	—	—	—	—	(15,441)	—	—	(15,441)
Foreign currency translation loss	—	—	—	—	—	—	(8,048)	—	—	(8,048)
Stock vesting and amortization of stock-based compensation	—	—	118	—	9,087	—	—	—	—	9,087
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(669)	(669)
Proceeds from offering (net of offering costs)	—	—	65,235	66	1,107,944	—	—	—	—	1,108,010
Dividends declared (\$0.26 per common share)	—	—	—	—	—	(120,023)	—	—	—	(120,023)
<b>Balance at September 30, 2019</b>	—	\$ —	459,778	\$ 460	\$ 5,972,341	\$ 91,535	\$ (90,019)	\$ (777)	\$ 13,278	\$ 5,986,818

See accompanying notes to condensed consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Equity  
(Unaudited)

(In thousands, except per share amounts)	Preferred		Common		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Non- Controlling Interests	Total Equity
	Shares	Par Value	Shares	Par Value						
<b>Balance at December 31, 2017</b>	—	\$ —	364,424	\$ 364	\$ 4,333,027	\$ (485,932)	\$ (26,049)	\$ (777)	\$ 14,572	\$ 3,835,205
Net income	—	—	—	—	—	90,601	—	—	442	91,043
Cumulative effect of change in accounting principles	—	—	—	—	—	1,938	—	—	—	1,938
Foreign currency translation gain	—	—	—	—	—	—	16,088	—	—	16,088
Stock vesting and amortization of stock-based compensation	—	—	271	1	1,855	—	—	—	—	1,856
Redemption of MOP units	—	—	—	—	(816)	—	—	—	—	(816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(620)	(620)
Proceeds from offering (net of offering costs)	—	—	—	—	(94)	—	—	—	—	(94)
Dividends declared (\$0.25 per common share)	—	—	—	—	—	(91,411)	—	—	—	(91,411)
<b>Balance at March 31, 2018</b>	—	\$ —	364,695	\$ 365	\$ 4,333,972	\$ (484,804)	\$ (9,961)	\$ (777)	\$ 14,394	\$ 3,853,189
Net income	—	—	—	—	—	111,567	—	—	450	112,017
Foreign currency translation loss	—	—	—	—	—	—	(32,392)	—	—	(32,392)
Stock vesting and amortization of stock-based compensation	—	—	36	—	4,869	—	—	—	—	4,869
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(638)	(638)
Proceeds from offering (net of offering costs)	—	—	—	—	(43)	—	—	—	—	(43)
Dividends declared (\$0.25 per common share)	—	—	—	—	—	(91,547)	—	—	—	(91,547)
<b>Balance at June 30, 2018</b>	—	\$ —	364,731	\$ 365	\$ 4,338,798	\$ (464,784)	\$ (42,353)	\$ (777)	\$ 14,206	\$ 3,845,455
Net income	—	—	—	—	—	736,034	—	—	442	736,476
Foreign currency translation loss	—	—	—	—	—	—	(8,216)	—	—	(8,216)
Stock vesting and amortization of stock-based compensation	—	—	127	—	4,970	—	—	—	—	4,970
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(630)	(630)
Dividends declared (\$0.25 per common share)	—	—	—	—	—	(91,547)	—	—	—	(91,547)
<b>Balance at September 30, 2018</b>	—	\$ —	364,858	\$ 365	\$ 4,343,768	\$ 179,703	\$ (50,569)	\$ (777)	\$ 14,018	\$ 4,486,508

See accompanying notes to condensed consolidated financial statements.



**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	For the Nine Months Ended September 30,	
	2019	2018
	(In thousands)	
<b>Operating activities</b>		
Net income	\$ 246,478	\$ 939,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	111,067	106,508
Amortization of deferred financing costs and debt discount	6,293	5,543
Direct financing lease interest accretion	(6,858)	(7,213)
Straight-line rent revenue and other	(84,758)	(64,840)
Share-based compensation	22,119	11,695
Gain from sale of real estate, net	(62)	(672,822)
Straight-line rent and other write-off	7,232	17,615
Unutilized financing fees	4,873	—
Other adjustments	16,052	(21,354)
Changes in:		
Interest and rent receivables	528	(10,158)
Accounts payable and accrued expenses	4,413	(5,387)
Net cash provided by operating activities	327,377	299,123
<b>Investing activities</b>		
Cash paid for acquisitions and other related investments	(3,703,092)	(1,166,618)
Net proceeds from sale of real estate	4,859	1,513,666
Principal received on loans receivable	920	531,772
Investment in loans receivable	(34,149)	(174,494)
Construction in progress and other	(55,168)	(32,425)
Capital additions and other investments, net	(213,096)	(63,080)
Net cash (used for) provided by investing activities	(3,999,726)	608,821
<b>Financing activities</b>		
Proceeds from term debt, net of discount	1,732,740	759,735
Revolving credit facilities, net	417,089	(818,116)
Distributions paid	(291,675)	(272,360)
Lease deposits and other obligations to tenants	(8,349)	(25,511)
Proceeds from sale of common shares, net of offering costs	1,507,363	—
Other financing activities	(24,187)	(3,106)
Net cash provided by (used for) financing activities	3,332,981	(359,358)
(Decrease) increase in cash, cash equivalents and restricted cash for period	(339,368)	548,586
Effect of exchange rate changes	(16,645)	(8,313)
Cash, cash equivalents and restricted cash at beginning of period	822,425	172,247
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 466,412</b>	<b>\$ 712,520</b>
Interest paid	\$ 158,259	\$ 175,715
Supplemental schedule of non-cash financing activities:		
Distributions declared, unpaid	\$ 120,023	\$ 91,547
Cash, cash equivalents and restricted cash are comprised of the following:		
Beginning of period:		
Cash and cash equivalents	\$ 820,868	\$ 171,472
Restricted cash, included in Other assets	1,557	775
	<u>\$ 822,425</u>	<u>\$ 172,247</u>
End of period:		
Cash and cash equivalents	\$ 461,622	\$ 710,965
Restricted cash, included in Other assets	4,790	1,555
	<u>\$ 466,412</u>	<u>\$ 712,520</u>

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands)	September 30, 2019 (Unaudited)	December 31, 2018 (Note 2)
<b>Assets</b>		
Real estate assets		
Land, buildings and improvements, intangible lease assets, and other	\$ 7,310,604	\$ 5,268,459
Mortgage loans	1,268,563	1,213,322
Net investment in direct financing leases	688,891	684,053
Investment in sale leaseback transactions	1,390,619	—
Gross investment in real estate assets	10,658,677	7,165,834
Accumulated depreciation and amortization	(571,589)	(464,984)
Net investment in real estate assets	10,087,088	6,700,850
Cash and cash equivalents	461,622	820,868
Interest and rent receivables	25,653	25,855
Straight-line rent receivables	299,993	220,848
Equity investments	777,102	520,058
Other loans	521,398	373,198
Other assets	279,297	181,966
<b>Total Assets</b>	<b>\$ 12,452,153</b>	<b>\$ 8,843,643</b>
<b>Liabilities and Capital</b>		
Liabilities		
Debt, net	\$ 6,096,232	\$ 4,037,389
Accounts payable and accrued expenses	129,289	108,574
Deferred revenue	16,377	13,467
Obligations to tenants and other lease liabilities	103,084	27,524
Payable due to Medical Properties Trust, Inc.	119,963	95,361
Total Liabilities	6,464,945	4,282,315
Capital		
General Partner — issued and outstanding — 4,598 units at September 30, 2019 and 3,706 units at December 31, 2018	60,666	46,084
Limited Partners:		
Common units — issued and outstanding — 455,180 units at September 30, 2019 and 366,931 units at December 31, 2018	6,003,283	4,559,616
LTIP units — issued and outstanding — 232 units at September 30, 2019 and 232 units at December 31, 2018	—	—
Accumulated other comprehensive loss	(90,019)	(58,202)
Total MPT Operating Partnership, L.P. capital	5,973,930	4,547,498
Non-controlling interests	13,278	13,830
Total capital	5,987,208	4,561,328
<b>Total Liabilities and Capital</b>	<b>\$ 12,452,153</b>	<b>\$ 8,843,643</b>

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Net Income  
(Unaudited)

(In thousands, except per unit amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Revenues</b>				
Rent billed	\$ 124,361	\$ 118,238	\$ 343,841	\$ 369,076
Straight-line rent	31,026	18,293	76,813	49,157
Income from direct financing leases	17,502	18,998	52,168	55,613
Interest and other income	51,867	41,467	124,937	130,098
Total revenues	224,756	196,996	597,759	603,944
<b>Expenses</b>				
Interest	64,519	57,215	167,396	172,364
Real estate depreciation and amortization	40,833	29,949	108,161	100,217
Property-related	4,038	2,719	15,394	6,823
General and administrative	23,286	20,982	69,009	58,352
Acquisition costs	—	506	—	917
Total expenses	132,676	111,371	359,960	338,673
<b>Other income (expense)</b>				
Gain on sale of real estate and other, net	209	647,204	62	672,822
Earnings from equity interests	3,474	3,116	11,635	10,542
Unutilized financing fees	(3,959)	—	(4,873)	—
Other	(2,282)	2,595	(1,497)	(4,297)
Total other income	(2,558)	652,915	5,327	679,067
Income before income tax	89,522	738,540	243,126	944,338
Income tax benefit (expense)	745	(2,064)	3,352	(4,802)
<b>Net income</b>	90,267	736,476	246,478	939,536
Net income attributable to non-controlling interests	(481)	(442)	(1,432)	(1,334)
<b>Net income attributable to MPT Operating Partnership partners</b>	<b>\$ 89,786</b>	<b>\$ 736,034</b>	<b>\$ 245,046</b>	<b>\$ 938,202</b>
<b>Earnings per unit — basic</b>				
Net income attributable to MPT Operating Partnership partners	\$ 0.20	\$ 2.01	\$ 0.60	\$ 2.56
<b>Earnings per unit — diluted</b>				
Net income attributable to MPT Operating Partnership partners	\$ 0.20	\$ 2.00	\$ 0.60	\$ 2.56
<b>Weighted average units outstanding — basic</b>	439,581	365,024	404,902	364,934
<b>Weighted average units outstanding — diluted</b>	440,933	366,467	406,100	365,784
<b>Dividends declared per unit</b>	<b>\$ 0.26</b>	<b>\$ 0.25</b>	<b>\$ 0.76</b>	<b>\$ 0.75</b>

See accompanying notes to condensed consolidated financial statements.

**MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 90,267	\$ 736,476	\$ 246,478	\$ 939,536
Other comprehensive income:				
Unrealized loss on interest rate swap	(15,441)	—	(20,699)	—
Foreign currency translation loss	(8,048)	(8,216)	(11,118)	(24,520)
Total comprehensive income	66,778	728,260	214,661	915,016
Comprehensive income attributable to non-controlling interests	(481)	(442)	(1,432)	(1,334)
Comprehensive income attributable to MPT Operating Partnership partners	\$ 66,297	\$ 727,818	\$ 213,229	\$ 913,682

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Capital  
(Unaudited)

(In thousands, except per unit amounts)	General		Limited Partners				Accumulated Other Comprehensive Loss	Non- Controlling Interests	Total Capital
	Partner		Common		LTIPs				
	Units	Unit Value	Units	Unit Value	Units	Unit Value			
<b>Balance at December 31, 2018</b>	<u>3,706</u>	<u>\$ 46,084</u>	<u>366,931</u>	<u>\$ 4,559,616</u>	<u>232</u>	<u>\$ —</u>	<u>\$ (58,202)</u>	<u>\$ 13,830</u>	<u>\$ 4,561,328</u>
Net income	—	758	—	75,064	—	—	—	469	76,291
Unrealized loss on interest rate swap	—	—	—	—	—	—	(3,772)	—	(3,772)
Foreign currency translation loss	—	—	—	—	—	—	(5,918)	—	(5,918)
Unit vesting and amortization of unit-based compensation	11	68	1,044	6,647	—	—	—	—	6,715
Distributions to non-controlling interests	—	—	—	—	—	—	—	(645)	(645)
Proceeds from offering (net of offering costs)	201	3,540	19,946	350,490	—	—	—	—	354,030
Distributions declared (\$0.25 per unit)	—	(972)	—	(96,191)	—	—	—	—	(97,163)
<b>Balance at March 31, 2019</b>	<u>3,918</u>	<u>\$ 49,478</u>	<u>387,921</u>	<u>\$ 4,895,626</u>	<u>232</u>	<u>\$ —</u>	<u>\$ (67,892)</u>	<u>\$ 13,654</u>	<u>\$ 4,890,866</u>
Net income	—	794	—	78,644	—	—	—	482	79,920
Unrealized loss on interest rate swap	—	—	—	—	—	—	(1,486)	—	(1,486)
Foreign currency translation gain	—	—	—	—	—	—	2,848	—	2,848
Unit vesting and amortization of unit-based compensation	1	63	118	6,254	—	—	—	—	6,317
Distributions to non-controlling interests	—	—	—	—	—	—	—	(670)	(670)
Proceeds from offering (net of offering costs)	25	453	2,442	44,870	—	—	—	—	45,323
Distributions declared (\$0.25 per unit)	—	(991)	—	(98,102)	—	—	—	—	(99,093)
<b>Balance at June 30, 2019</b>	<u>3,944</u>	<u>\$ 49,797</u>	<u>390,481</u>	<u>\$ 4,927,292</u>	<u>232</u>	<u>\$ —</u>	<u>\$ (66,530)</u>	<u>\$ 13,466</u>	<u>\$ 4,924,025</u>
Net income	—	898	—	88,888	—	—	—	481	90,267
Unrealized loss on interest rate swap	—	—	—	—	—	—	(15,441)	—	(15,441)
Foreign currency translation loss	—	—	—	—	—	—	(8,048)	—	(8,048)
Unit vesting and amortization of unit-based compensation	1	91	117	8,996	—	—	—	—	9,087
Distributions to non-controlling interests	—	—	—	—	—	—	—	(669)	(669)
Proceeds from offering (net of offering costs)	653	11,080	64,582	1,096,930	—	—	—	—	1,108,010
Distributions declared (\$0.26 per unit)	—	(1,200)	—	(118,823)	—	—	—	—	(120,023)
<b>Balance at September 30, 2019</b>	<u>4,598</u>	<u>\$ 60,666</u>	<u>455,180</u>	<u>\$ 6,003,283</u>	<u>232</u>	<u>\$ —</u>	<u>\$ (90,019)</u>	<u>\$ 13,278</u>	<u>\$ 5,987,208</u>

See accompanying notes to condensed consolidated financial statements.

MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES

Condensed Consolidated Statements of Capital  
(Unaudited)

(In thousands, except per unit amounts)	General Partner		Limited Partners				Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Capital
			Common		LTIPs				
	Units	Unit Value	Units	Unit Value	Units	Unit Value			
<b>Balance at December 31, 2017</b>	3,644	\$ 38,489	360,780	\$ 3,808,583	292	\$ —	\$ (26,049)	\$ 14,572	\$ 3,835,595
Net income	—	906	—	89,695	—	—	—	442	91,043
Cumulative effect of change in accounting principles	—	19	—	1,919	—	—	—	—	1,938
Foreign currency translation gain	—	—	—	—	—	—	16,088	—	16,088
Unit vesting and amortization of unit-based compensation	3	19	268	1,837	—	—	—	—	1,856
Conversion of LTIP units to common units	—	—	60	—	(60)	—	—	—	—
Redemption of common units	—	—	(60)	(816)	—	—	—	—	(816)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(620)	(620)
Proceeds from offering (net of offering costs)	—	(1)	—	(93)	—	—	—	—	(94)
Distributions declared (\$0.25 per unit)	—	(914)	—	(90,497)	—	—	—	—	(91,411)
<b>Balance at March 31, 2018</b>	3,647	\$ 38,518	361,048	\$ 3,810,628	232	\$ —	\$ (9,961)	\$ 14,394	\$ 3,853,579
Net income	—	1,115	—	110,452	—	—	—	450	112,017
Foreign currency translation loss	—	—	—	—	—	—	(32,392)	—	(32,392)
Unit vesting and amortization of unit-based compensation	—	49	36	4,820	—	—	—	—	4,869
Distributions to non-controlling interests	—	—	—	—	—	—	—	(638)	(638)
Proceeds from offering (net of offering costs)	—	—	—	(43)	—	—	—	—	(43)
Distributions declared (\$0.25 per unit)	—	(915)	—	(90,632)	—	—	—	—	(91,547)
<b>Balance at June 30, 2018</b>	3,647	\$ 38,767	361,084	\$ 3,835,225	232	\$ —	\$ (42,353)	\$ 14,206	\$ 3,845,845
Net income	—	7,361	—	728,673	—	—	—	442	736,476
Foreign currency translation loss	—	—	—	—	—	—	(8,216)	—	(8,216)
Unit vesting and amortization of unit-based compensation	1	48	126	4,922	—	—	—	—	4,970
Distributions to non-controlling interests	—	—	—	—	—	—	—	(630)	(630)
Distributions declared (\$0.25 per unit)	—	(915)	—	(90,632)	—	—	—	—	(91,547)
<b>Balance at September 30, 2018</b>	3,648	\$ 45,261	361,210	\$ 4,478,188	232	\$ —	\$ (50,569)	\$ 14,018	\$ 4,486,898

See accompanying notes to condensed consolidated financial statements.

**MPT OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	<b>For the Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In thousands)</b>	
<b>Operating activities</b>		
Net income	\$ 246,478	\$ 939,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	111,067	106,508
Amortization of deferred financing costs and debt discount	6,293	5,543
Direct financing lease interest accretion	(6,858)	(7,213)
Straight-line rent revenue and other	(84,758)	(64,840)
Unit-based compensation	22,119	11,695
Gain from sale of real estate, net	(62)	(672,822)
Straight-line rent and other write-off	7,232	17,615
Unutilized financing fees	4,873	—
Other adjustments	16,052	(21,354)
Changes in:		
Interest and rent receivables	528	(10,158)
Accounts payable and accrued expenses	4,413	(5,387)
Net cash provided by operating activities	<u>327,377</u>	<u>299,123</u>
<b>Investing activities</b>		
Cash paid for acquisitions and other related investments	(3,703,092)	(1,166,618)
Net proceeds from sale of real estate	4,859	1,513,666
Principal received on loans receivable	920	531,772
Investment in loans receivable	(34,149)	(174,494)
Construction in progress and other	(55,168)	(32,425)
Capital additions and other investments, net	<u>(213,096)</u>	<u>(63,080)</u>
Net cash (used for) provided by investing activities	(3,999,726)	608,821
<b>Financing activities</b>		
Proceeds from term debt, net of discount	1,732,740	759,735
Revolving credit facilities, net	417,089	(818,116)
Distributions paid	(291,675)	(272,360)
Lease deposits and other obligations to tenants	(8,349)	(25,511)
Proceeds from sale of units, net of offering costs	1,507,363	—
Other financing activities	<u>(24,187)</u>	<u>(3,106)</u>
Net cash provided by (used for) financing activities	<u>3,332,981</u>	<u>(359,358)</u>
(Decrease) increase in cash, cash equivalents and restricted cash for period	(339,368)	548,586
Effect of exchange rate changes	(16,645)	(8,313)
Cash, cash equivalents and restricted cash at beginning of period	822,425	172,247
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b><u>\$ 466,412</u></b>	<b><u>\$ 712,520</u></b>
Interest paid	\$ 158,259	\$ 175,715
Supplemental schedule of non-cash financing activities:		
Distributions declared, unpaid	\$ 120,023	\$ 91,547
Cash, cash equivalents, and restricted cash are comprised of the following:		
Beginning of period:		
Cash and cash equivalents	\$ 820,868	\$ 171,472
Restricted cash, included in Other assets	1,557	775
	<u>\$ 822,425</u>	<u>\$ 172,247</u>
End of period:		
Cash and cash equivalents	\$ 461,622	\$ 710,965
Restricted cash, included in Other assets	4,790	1,555
	<u>\$ 466,412</u>	<u>\$ 712,520</u>

See accompanying notes to condensed consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND MPT OPERATING PARTNERSHIP, L.P.  
AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

## **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., (the "Operating Partnership") 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 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 federal income tax in the United States ("U.S."), 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 currently located in the U.S., Europe, and Australia.

## **2. Summary of Significant Accounting Policies**

*Unaudited Interim Condensed Consolidated Financial Statements:* The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information, including rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. Operating results for the three and nine months ended September 30, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The condensed consolidated balance sheet at December 31, 2018 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements.

For information about significant accounting policies, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes to these significant accounting policies other than the following:

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; no reassessment of lease classification for existing leases; and no reassessment of initial direct costs for existing leases. Additionally, we made certain elections permitted in accordance with ASU 2018-11, "Leases (Topic 842): – Targeted Improvements," 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 in its financial statements 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.

The standard requires lessees 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 will determine 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. A lessee is also 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 will remain off balance sheet with lease expense recognized on a straight-line basis over the lease term, similar to previous guidance for operating leases. The standard requires lessors to account for leases using an approach that is substantially equivalent to previous guidance for sales-type leases, direct financing leases and 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. From a lessor perspective, we did not change the classification or accounting of our existing leases except, we are now grossing up our income statement for certain operating expenses, such as property taxes and insurance, that the tenants of our facilities are required to reimburse us for pursuant to our “triple-net” leases.

*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 direct financing leases, investments in sale leaseback transactions, and loan receivables, which the FASB believes will result in more timely recognition of such losses. ASU 2016-13 is effective for us beginning January 1, 2020. We are still evaluating the impact of this standard, but we do not believe such impact will be material.

*Reclassifications*

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

**3. Real Estate and Lending Activities**

*Acquisitions*

We acquired the following assets (in thousands):

	For the Nine Months Ended September 30,	
	2019	2018
<b>Assets Acquired</b>		
Land and land improvements	\$ 375,721	\$ 57,452
Building	1,320,449	467,164
Intangible lease assets — subject to amortization (weighted average useful life 18.7 years for 2019 and 27.8 years for 2018)	149,201	60,277
Investment in sale leaseback transactions	1,386,797	—
Equity investments	284,399	245,267
Mortgage loans	51,267	—
Other loans	135,258	336,458
Total assets acquired	<u>\$ 3,703,092</u>	<u>\$ 1,166,618</u>
Loans repaid	—	(525,426)
Total net assets acquired	<u>\$ 3,703,092</u>	<u>\$ 641,192</u>

2019 Activity

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 receivable (as presented in the Investment in sale leaseback transactions line of the condensed consolidated balance sheet) 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, mortgage loan and term loan are cross-defaulted and cross-collateralized. The master leases and mortgage loan have substantially similar terms, with a 15-year fixed term subject to three extension options, plus annual increases based on inflation.

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.

## Other Transactions

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 escalations at the greater of 2% or the change in Consumer Price Index (“CPI”) and includes three five-year extension options. The facilities acquired include three inpatient rehabilitation hospitals and seven long-term acute care hospitals.

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 Health Care pursuant to in-place net leases with approximately 18-year remaining lease terms and include annual fixed and periodic market-based escalations.

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.

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, Ltd. (“Healthscope”) pursuant to master lease agreements that have an average initial term of 20 years with annual fixed escalations of 2.5% and multiple extension options. Healthscope was acquired in a simultaneous transaction by Brookfield Business Partners L.P. and certain of its institutional partners.

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 each quarter.

Other acquisitions throughout the first nine months of 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 Health Care System LLC (“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 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 Kliniken S.à.r.l. (“MEDIAN”).

## 2018 Activity

### Joint Venture Transaction

On August 31, 2018, we completed a joint venture arrangement with Primotop Holdings S.à.r.l. (“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. Our interest in the joint venture is made up of a 50% equity investment valued at approximately €211 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

During the second and third quarters of 2018, we acquired the fee simple real estate of four general acute care hospitals, three of which are located in Massachusetts and one located in Texas, from Steward in exchange for the reduction of \$525.4 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.

In addition, we acquired one acute care facility and three inpatient rehabilitation hospitals during the first nine months of 2018 for an aggregate investment of approximately \$38 million. The acute care hospital, acquired on August 31, 2018 and located in Pasco, Washington, is leased to LifePoint Health, Inc. (“LifePoint”) pursuant to the master lease. The inpatient rehabilitation hospitals, acquired on August 28, 2018, are located in Germany and leased to MEDIAN.

## Development Activities

See table below for a status update on our current development projects (in thousands):

<b>Property</b>	<b>Commitment</b>	<b>Costs Incurred as of September 30, 2019</b>	<b>Estimated Rent Commencement Date</b>
Circle Health (Birmingham, England)	\$ 44,061	\$ 35,108	2Q 2020
Circle Health Rehabilitation (Birmingham, England)	19,862	16,320	2Q 2020
Surgery Partners (Idaho Falls, Idaho)	113,468	82,651	1Q 2020
	<u>\$ 177,391</u>	<u>\$ 134,079</u>	

## Disposals

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.

The properties sold during 2018 did not meet the definition of discontinued operations. However, the following represents the operating results from these properties (excluding the St. Joseph sale in March 2018) for the periods presented (in thousands):

	<b>For the Three Months Ended September 30, 2018</b>	<b>For the Nine Months Ended September 30, 2018</b>
Revenues(1)	\$ 20,115	\$ 88,838
Real estate depreciation and amortization	(237)	(15,849)
Property-related expenses	(265)	(531)
Other(2)	692,362	715,246
Income from real estate dispositions, net	<u>\$ 711,975</u>	<u>\$ 787,704</u>

- (1) Includes \$2.5 million and \$7.6 million of straight-line rent and other write-offs associated with the disposal transactions for the three and nine months ended September 30, 2018, respectively.
- (2) Includes \$695.2 million of gains on sale for the three months ended September 30, 2018 and \$719.3 million for the nine months ended September 30, 2018.

## 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 95% 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 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 noted below as direct finance leases (“DFLs”), all of our leases are classified as operating leases.

The following table summarizes future minimum lease payments to be received, excluding operating expense reimbursements, from tenants under noncancelable leases as of September 30, 2019 (in thousands):

	<u>Total Under Operating Leases</u>	<u>Total Under DFLs</u>	<u>Total</u>
2019 (three months only)	\$ 129,235	\$ 15,214	\$ 144,449
2020	542,989	62,072	605,061
2021	557,352	63,313	620,665
2022	563,977	64,579	628,556
2023	573,798	65,871	639,669
Thereafter	12,247,074	1,400,026	13,647,100
	<u>\$ 14,614,425</u>	<u>\$ 1,671,075</u>	<u>\$ 16,285,500</u>

#### Direct Financing Leases

At September 30, 2019, leases on 14 Ernest Health (“Ernest”) facilities, ten Prime Healthcare Services, Inc. (“Prime”) facilities, and two Alecto Healthcare Services LLC (“Alecto”) facilities are accounted for as DFLs. The components of our net investment in DFLs consisted of the following (in thousands):

	<u>As of September 30, 2019</u>	<u>As of December 31, 2018</u>
Minimum lease payments receivable	\$ 2,049,738	\$ 2,091,504
Estimated residual values	419,753	424,719
Less: Unearned income	(1,780,600)	(1,832,170)
Net investment in direct financing leases	<u>\$ 688,891</u>	<u>\$ 684,053</u>

#### Adeptus Health Transition Properties

As noted in previous filings, we had 16 properties transitioning away from Adeptus Health, Inc. (“Adeptus”) in stages over a two year period as part of Adeptus’ confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code. At November 8, 2019, 11 of these properties have been re-leased and two properties in the Dallas market were sold in April 2019 and in July 2019 at their approximate book value. The remaining three facilities (representing less than 0.1% of our total assets at September 30, 2019) are vacant.

At September 30, 2019, Adeptus is current on its rent obligations to us. Although no assurances can be made that we will not recognize a loss in the future, we believe, at September 30, 2019, that the sale or re-leasing of the remaining three transition facilities will not result in any material loss or additional impairment.

#### Gilbert Facility

In the first quarter of 2018, we terminated the lease at our Gilbert, Arizona facility due to the tenant not meeting its rent obligations pursuant to the lease. As a result of the lease terminating, we recorded a charge to reserve against the straight-line rent receivables. All outstanding receivables due from the former tenant of Gilbert are completely reserved. At September 30, 2019, our Gilbert facility is vacant. Although no assurances can be made that we will not have any impairment charges in the future, we believe our investment in the Gilbert facility (less than 0.1% of total assets at September 30, 2019), is fully recoverable.

## Alecto Facilities

At September 30, 2019, we own four acute care facilities and have a mortgage loan on a fifth property. In the 2018 third quarter, we lowered the carrying value of the four owned properties to fair value resulting in a \$30 million charge. With the decline in the operating results of the facility tenant, we recorded a charge to reserve against the straight-line rent and other receivables outstanding in the 2019 first quarter and did not recognize any rent revenue in the three months ended September 30, 2019.

At September 30, 2019, our total overall investment in these properties is less than 1% of our total assets. On August 7, 2019, Alecto announced closure of two facilities in the Ohio Valley region, which we have an investment in of approximately \$30 million. Although no assurances can be made that we will not recognize any impairment charges in the future, we believe our investment in these properties at September 30, 2019 is fully recoverable.

## *Loans*

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

	As of September 30, 2019	As of December 31, 2018
Mortgage loans	\$ 1,268,563	\$ 1,213,322
Investment in sale leaseback transactions	1,390,619	—
Other loans	521,398	373,198
Total	<u>\$ 3,180,580</u>	<u>\$ 1,586,520</u>

The investment in sale leaseback transactions, along with the majority of the increase in mortgage and other loans, relates to the Prospect transaction. See subheading “Acquisitions” in this Note 3 for further details. Other loans typically consist of loans to our tenants for acquisitions and working capital purposes and include our shareholder loan made to the joint venture with Primotop in the amount of €290 million.

## *Concentrations of Credit Risk*

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 September 30, 2019, we had no investment in any single property greater than 3% of our total assets, which is down from the 4% at December 31, 2018.
- 2) Operator concentration – For the nine months ended September 30, 2019, revenue from Steward and Prime of \$265.1 million and \$96.0 million, respectively, exceeded 10% of our total revenues. Of these two tenants, no single property represents greater than 4% of our total revenues. In comparison, Steward (\$226.0 million), Prime (\$95.4 million) and MEDIAN (\$99.9 million) exceeded 10% of our total revenues for the first nine months of 2018.
- 3) Geographic concentration – At September 30, 2019, investments in the U.S., Europe, and Australia represented approximately 73%, 20%, and 7%, 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 nine months ended September 30, 2019, approximately 86% of our revenues are from our general acute care facilities, while rehabilitation and long-term acute care facilities make up 10% and 4%, respectively. These percentages are similar to those for the first nine months of 2018.

#### 4. Debt

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

	As of September 30, 2019	As of December 31, 2018
Revolving credit facility(A)	\$ 451,006	\$ 28,059
USD term loan	200,000	200,000
Australian term loan facility(B)	810,000	—
4.000% Senior Unsecured Notes due 2022(C)	544,950	573,350
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(C)	544,950	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
4.625% Senior Unsecured Notes due 2029	900,000	—
	<u>\$ 6,150,906</u>	<u>\$ 4,074,759</u>
Debt issue costs, net and discount	(54,674)	(37,370)
	<u>\$ 6,096,232</u>	<u>\$ 4,037,389</u>

- (A) Includes £367 million and £22 million of GBP-denominated borrowings that reflect the exchange rate at September 30, 2019 and December 31, 2018, respectively.
- (B) This note is Australian dollar-denominated and reflects the exchange rate at September 30, 2019.
- (C) These notes are Euro-denominated and reflect the exchange rate at September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019, principal payments due on our debt (which exclude the effects of any discounts, premiums, or debt issue costs recorded) are as follows (in thousands):

2019	\$ —
2020	—
2021	451,006
2022	744,950
2023	—
Thereafter	4,954,950
Total	<u>\$ 6,150,906</u>

#### 2019 Activity

##### **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 semi-annually 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.

We used the net proceeds from the 4.625% Senior Unsecured Notes due 2029 offering along with the proceeds from our July 2019 equity offering to finance the Prospect transaction described in Note 3. As a result of these offerings, we canceled the \$1.55 billion senior unsecured bridge loan facility commitment from Barclays Bank PLC that we received on July 10, 2019. With this commitment, we paid \$4.0 million of underwriting and other fees, which we fully expensed upon the cancellation of the commitment during the 2019 third quarter.

## 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. We used the proceeds under the facility to finance our acquisition of the Healthscope portfolio. 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%. We paid approximately \$8 million in one-time structuring and underwriting fees associated with this term loan facility.

### 2018 Activity

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

### *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 revolving credit and term loan agreement ("Credit Facility") limit the amount of dividends we can pay as a percentage of normalized adjusted funds from operations, as defined in the agreements, on a rolling four quarter basis. At September 30, 2019, the dividend restriction was 95% of normalized adjusted funds from operations ("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. This 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 September 30, 2019, we were in compliance with all such financial and operating covenants.

## 5. Common Stock/Partners' Capital

### *Medical Properties Trust, Inc.*

In the first nine months of 2019, we sold 36.1 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately \$649 million.

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 estimated offering expenses.

### *MPT Operating Partnership, L.P.*

At September 30, 2019, the Company has a 99.9% ownership interest in the Operating Partnership with the remainder owned by two other partners, which are employees.

During the nine months ended September 30, 2019, the Operating Partnership issued approximately 87.9 million units in direct response to the common stock offerings by Medical Properties Trust, Inc. during the same period.

## 6. Stock Awards

We adopted the 2019 Equity Incentive Plan (the "Equity Incentive Plan") during the second quarter of 2019, which authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units and other stock-based awards. The Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors, and we have reserved 12.9 million shares of common stock for awards, out of which 11.4 million shares remain

available for future stock awards as of September 30, 2019. Share-based compensation expense totaled \$22.1 million and \$11.7 million for the nine months ended September 30, 2019 and 2018, respectively.

## 7. 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 (including the financing receivable from the sale leaseback transaction) 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 loan 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 possible and may not be a prudent management decision. The following table summarizes fair value estimates for our financial instruments (in thousands):

<u>Asset (Liability)</u>	<u>As of</u> <u>September 30, 2019</u>		<u>As of</u> <u>December 31, 2018</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Interest and rent receivables	\$ 25,653	\$ 24,793	\$ 25,855	\$ 24,942
Loans(1)	3,065,580	3,112,717	1,471,520	1,490,758
Debt, net	(6,096,232)	(6,352,115)	(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 reflective of current values. We have not made a similar election for other investments existing at September 30, 2019.

At September 30, 2019, these amounts were as follows (in thousands):

<u>Asset Type</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Asset Type Classification</u>
Mortgage loans	\$ 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.

During the first nine months of 2018, we recognized an unrealized loss on our investment in Ernest. There was no gain or loss recorded during the first nine months of 2019.



## 8. Earnings Per Share

### *Medical Properties Trust, Inc.*

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

	For the Three Months Ended September 30,	
	2019	2018
<b>Numerator:</b>		
Net income	\$ 90,267	\$ 736,476
Non-controlling interests' share in net income	(481)	(442)
Participating securities' share in earnings	(432)	(290)
Net income, less participating securities' share in earnings	<u>\$ 89,354</u>	<u>\$ 735,744</u>
<b>Denominator:</b>		
Basic weighted-average common shares	439,581	365,024
Dilutive potential common shares	1,352	1,443
Dilutive weighted-average common shares	<u>440,933</u>	<u>366,467</u>

	For the Nine Months Ended September 30,	
	2019	2018
<b>Numerator:</b>		
Net income	\$ 246,478	\$ 939,536
Non-controlling interests' share in net income	(1,432)	(1,334)
Participating securities' share in earnings	(1,354)	(808)
Net income, less participating securities' share in earnings	<u>\$ 243,692</u>	<u>\$ 937,394</u>
<b>Denominator:</b>		
Basic weighted-average common shares	404,902	364,934
Dilutive potential common shares	1,198	850
Dilutive weighted-average common shares	<u>406,100</u>	<u>365,784</u>

### *MPT Operating Partnership, L.P.*

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

	For the Three Months Ended September 30,	
	2019	2018
<b>Numerator:</b>		
Net income	\$ 90,267	\$ 736,476
Non-controlling interests' share in net income	(481)	(442)
Participating securities' share in earnings	(432)	(290)
Net income, less participating securities' share in earnings	<u>\$ 89,354</u>	<u>\$ 735,744</u>
<b>Denominator:</b>		
Basic weighted-average units	439,581	365,024
Dilutive potential units	1,352	1,443
Diluted weighted-average units	<u>440,933</u>	<u>366,467</u>

	For the Nine Months Ended September 30,	
	2019	2018
<b>Numerator:</b>		
Net income	\$ 246,478	\$ 939,536
Non-controlling interests' share in net income	(1,432)	(1,334)
Participating securities' share in earnings	(1,354)	(808)
Net income, less participating securities' share in earnings	<u>\$ 243,692</u>	<u>\$ 937,394</u>
<b>Denominator:</b>		
Basic weighted-average units	404,902	364,934
Dilutive potential units	1,198	850
Diluted weighted-average units	<u>406,100</u>	<u>365,784</u>

## 9. 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 those proceedings is not presently expected to materially affect our financial position, results of operations or cash flows.

## 10. Leases (Lessee)

We have leased land on which certain of our facilities reside, along with corporate office and equipment. Our leases have remaining lease terms of 4.8 years to 47.3 years, some of which may 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.

Properties subject to ground leases are subleased to our tenants, except for two Adeptus transition properties.

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

Classification	Three Months Ended	Nine Months Ended	
	September 30, 2019	September 30, 2019	
Operating lease cost (1)	\$ 2,163	\$ 6,725	
Finance lease cost:			
Amortization of right-of-use assets	Real estate depreciation and amortization	13	38
Interest on lease liabilities	Interest expense	32	85
Sublease income	Interest and other income	(873)	(2,682)
Total lease cost	<u>\$ 1,335</u>	<u>\$ 4,166</u>	

(1) Includes short-term leases.

(2) \$1.4 million and \$4.5 million for the three and nine months ended September 30, 2019, respectively, included in Property-related, with the remainder reflected in General and administrative expenses.

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 September 30, 2019 are as follows (amounts in thousands):

	Operating Leases	Finance Leases	Amounts to be Received From Subleases	Net Payments
2019 (1)	\$ 1,487	\$ 31	\$ (816)	\$ 702
2020	6,040	125	(3,322)	2,843
2021	6,219	126	(3,439)	2,906
2022	6,407	128	(3,567)	2,968
2023	6,470	129	(3,568)	3,031
Thereafter	183,294	5,045	(92,095)	96,244 (2)
Total undiscounted minimum lease payments	<u>\$ 209,917</u>	<u>\$ 5,584</u>	<u>\$ (106,807)</u>	<u>\$ 108,694</u>
Less: interest	(134,274)	(3,653)		
Present value of lease liabilities	<u>\$ 75,643</u>	<u>\$ 1,931</u>		

(1) Represents remaining three months of 2019.

(2) 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):

	Classification	September 30, 2019
<b>Right of use assets:</b>		
Operating leases - real estate	Land, buildings and improvements, intangible lease assets, and other	\$ 58,753
Finance leases - real estate	Land, buildings and improvements, intangible lease assets, and other	1,900
Real estate right of use assets, net		<u>60,653</u>
Operating leases - corporate	Other assets	10,261
Total right of use assets, net		<u>\$ 70,914</u>
<b>Lease liabilities:</b>		
Operating leases	Obligations to tenants and other lease liabilities	\$ 75,643
Financing leases	Obligations to tenants and other lease liabilities	1,931
Total lease liabilities		<u>\$ 77,574</u>
<b>Weighted average remaining lease term:</b>		
Operating leases		31.9
Finance leases		37.2
<b>Weighted average discount rate:</b>		
Operating leases		6.3%
Finance leases		6.6%

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

	<b>Nine Months Ended September 30, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
Operating cash flows from operating leases	\$ 4,408
Operating cash flows from finance leases	83
Financing cash flows from finance leases	10
<b>Right-of-use assets obtained in exchange for lease obligations:</b>	
Operating leases	1,575
Finance leases	—

## 11. Subsequent Events

### Investments

On October 25, 2019, we entered into an agreement to finance the development of and lease an acute care hospital in Clear Lake, Texas, for \$27.5 million. This facility will be leased to NeuroPsychiatric Hospitals pursuant to a long-term lease and is expected to open in the third quarter of 2020.

On November 5, 2019, we entered into definitive agreements pursuant to which we will acquire a portfolio of 10 acute care hospitals owned and operated by LifePoint for a combined purchase price of approximately \$700.0 million. Under the terms of the agreements, we will lease back the hospitals to LifePoint under one master lease agreement. The master lease will have a 20-year initial term and two five-year extension options, plus annual escalators at the greater of 2% or the change in the applicable CPI, with a cap of 4%.

On November 5, 2019, we completed the sale of the real estate of two acute care hospitals for net proceeds to us of approximately \$93.0 million, which is in excess of our net book value.

### Financing

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 500,000,000 to 750,000,000.

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 estimated offering expenses.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the consolidated financial condition and consolidated results of operations are presented on a combined basis for Medical Properties Trust and MPT Operating Partnership, L.P. as there are no material differences between these two entities.

The following discussion and analysis of the consolidated financial condition and consolidated results of operations should be read together with the condensed consolidated financial statements and notes thereto contained in this Form 10-Q and the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

### Forward-Looking Statements.

This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or future performance, achievements or transactions or events to be materially different from those expressed or implied by such forward-looking statements, including, but not limited to, the risks described in our Annual Report on Form 10-K and as updated in our quarterly reports on Form 10-Q for future periods, and current reports on Form 8-K as we file them with the SEC under the Securities Exchange Act of 1934, as amended. Such factors include, among others, the following:

- 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 11 to Item 1 of this Quarterly Report on Form 10-Q) 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.

### Key Factors that May Affect Our Operations

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 factors, changes to which we believe may provide early indications of conditions that may affect the level of risk in our portfolio.

Key factors that we consider in underwriting prospective tenants and borrowers and in monitoring the performance of existing tenants and borrowers include the following:

- admission levels and surgery/procedure/diagnosis volumes by type;
- the current, historical and prospective operating margins (measured by earnings before interest, taxes, depreciation, amortization and facility rent) of each tenant or borrower and at each facility;
- the ratio of our tenants' or borrowers' operating earnings both to facility rent and to facility rent plus other fixed costs, including debt costs;
- changes in revenue sources of our tenants' or borrowers' revenue, including the relative mix of public payors (including Medicare, Medicaid/MediCal, and managed care in the U.S., pension funds in Germany and National Health Service in the United Kingdom) 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 flows;
- the effect of evolving healthcare legislation and other regulations on our tenants' or borrowers' profitability and liquidity; and
- the competition and demographics of the local and surrounding areas in which the tenants or borrowers operate.

Certain business factors, in addition to those described above that directly affect our tenants and borrowers, will likely materially influence our future results of operations. These factors include:

- trends in the cost and availability of capital, including market interest rates, that our prospective tenants may use for their real estate assets instead of financing their real estate assets through lease structures;
- changes in healthcare regulations that may limit the opportunities for physicians to participate in the ownership of healthcare providers and healthcare real estate;
- reductions in reimbursements from Medicare, state healthcare programs, and commercial insurance providers that may reduce our tenants' or borrowers' profitability and our lease rates;
- competition from other financing sources; and
- the ability of our tenants and borrowers to access funds in the credit markets.

## **CRITICAL ACCOUNTING POLICIES**

Refer to our 2018 Annual Report on Form 10-K for a discussion of our critical accounting policies, which include revenue recognition, investments in real estate, purchase price allocation, loans, losses from rent and interest receivables, stock-based compensation, our fair value option election, and our accounting policy on consolidation. During the nine months ended September 30, 2019, there were no material changes to these policies except for those described in Note 2 to Item 1 of this Form 10-Q.

## **Overview**

We are a self-advised REIT focused on investing in and owning net-leased healthcare facilities across the U.S. and selectively in foreign jurisdictions. 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 loans to certain of our operators through our taxable REIT subsidiaries, the proceeds of which are typically used for acquisitions and working capital. Finally, from time to time, we acquire a profits or other equity interest in our tenants that gives us a right to share in such tenant's profits and losses.

At September 30, 2019, our portfolio consisted of 348 properties leased or loaned to 38 operators, of which three are under development and 11 are in the form of mortgage loans.

Our investments in healthcare real estate, including mortgage and other loans, as well as any equity investments in our tenants are considered a single reportable segment. All of our investments are currently located in the U.S., Europe and Australia. Our total assets are made up of the following (dollars in thousands):

	As of September 30, 2019	% of Total	As of December 31, 2018	% of Total
Real estate owned (gross)(1)	\$ 9,256,035	74.3%	\$ 5,868,340	66.4%
Mortgage loans	1,268,563	10.2%	1,213,322	13.7%
Other loans	521,398	4.2%	373,198	4.2%
Construction in progress	134,079	1.1%	84,172	1.0%
Equity investments	777,102	6.2%	520,058	5.9%
Other assets	494,976	4.0%	784,553	8.8%
<b>Total assets</b>	<b>\$ 12,452,153</b>	<b>100.0%</b>	<b>\$ 8,843,643</b>	<b>100.0%</b>

(1) Includes our investments in direct finance leases and sale leaseback transactions.

### **Additional Concentration Details**

On a pro forma gross asset basis (as defined in the “Reconciliation of Non-GAAP Financial Measures” section of Item 2 of this Quarterly Report on Form 10-Q), our concentration as of September 30, 2019 as compared to December 31, 2018 is as follows (dollars in thousands):

#### *Pro Forma Gross Assets by Operator*

<b><u>Operators</u></b>	<b><u>As of September 30, 2019</u></b>		<b><u>As of December 31, 2018</u></b>	
	<b><u>Total Pro Forma Gross Assets</u></b>	<b><u>Percentage of Total Pro Forma Gross Assets</u></b>	<b><u>Total Pro Forma Gross Assets</u></b>	<b><u>Percentage of Total Pro Forma Gross Assets</u></b>
Steward	\$ 3,953,099	29.2%	\$ 3,823,625	38.0%
Prospect	1,554,823	11.5%	—	—
Prime	1,143,557	8.4%	1,124,711	11.2%
MEDIAN	999,732	7.4%	1,075,504	10.7%
Healthscope	863,002	6.4%	858,569	8.5%
Other operators	4,131,153	30.4%	2,647,369	26.3%
Other assets	908,969	6.7%	528,669	5.3%
<b>Total</b>	<b>\$ 13,554,335</b>	<b>100.0%</b>	<b>\$ 10,058,447</b>	<b>100.0%</b>

Pro Forma Gross Assets by U.S. State and Country

	As of September 30, 2019		As of December 31, 2018	
	Total Pro Forma Gross Assets	Percentage of Total Pro Forma Gross Assets	Total Pro Forma Gross Assets	Percentage of Total Pro Forma Gross Assets
<b>U.S. States and Other Countries</b>				
Massachusetts	\$ 1,489,359	11.0%	\$ 1,469,423	14.6%
California	1,294,937	9.6%	522,753	5.2%
Texas	1,254,397	9.3%	1,126,217	11.2%
Utah	1,065,674	7.9%	1,054,539	10.5%
Pennsylvania	575,264	4.2%	141,893	1.4%
All other states	3,850,836	28.4%	2,972,116	29.5%
Other domestic assets	710,512	5.2%	482,992	4.8%
Total U.S.	\$ 10,240,979	75.6%	\$ 7,769,933	77.2%
Germany	\$ 1,088,936	8.0%	\$ 1,164,973	11.6%
Australia	863,002	6.4%	858,569	8.5%
United Kingdom	582,521	4.3%	100,823	1.0%
Switzerland	467,351	3.4%	—	—
Italy and Spain	113,089	0.8%	118,472	1.2%
Other international assets	198,457	1.5%	45,677	0.5%
Total International	\$ 3,313,356	24.4%	\$ 2,288,514	22.8%
Grand Total	\$ 13,554,335	100.0%	\$ 10,058,447	100.0%

On an individual property basis, we had no investment in any single property greater than 2.7% of our total pro forma gross assets as of September 30, 2019.

On an adjusted revenue basis (as defined in the “Reconciliation of Non-GAAP Financial Measures” section of Item 2 of this Quarterly Report on Form 10-Q), concentration for the nine months ended September 30, 2019 as compared to the prior year is as follows (dollars in thousands):

Adjusted Revenue by Operator

	For the Nine Months Ended September 30,			
	2019		2018	
Operators	Total Adjusted Revenue	Percentage of Total Adjusted Revenue	Total Adjusted Revenue	Percentage of Total Adjusted Revenue
Steward	\$ 265,060	40.2%	\$ 225,989	36.6%
Prime	95,961	14.6%	95,439	15.5%
MEDIAN	66,231	10.1%	99,924	16.2%
Ernest	38,744	5.9%	52,752	8.5%
LifePoint	34,420	5.2%	31,484	5.1%
Other operators	157,762	24.0%	112,104	18.1%
Total	\$ 658,178	100.0%	\$ 617,692	100.0%



Adjusted Revenue by U.S. State and Country

	For the Nine Months Ended September 30,			
	2019		2018	
	Total Adjusted Revenue	Percentage of Total Adjusted Revenue	Total Adjusted Revenue	Percentage of Total Adjusted Revenue
<b>U.S. States and Other Countries</b>				
Massachusetts	\$ 102,893	15.6%	\$ 85,054	13.8%
Texas	88,818	13.5%	87,588	14.2%
Utah	65,128	9.9%	62,598	10.1%
California	56,143	8.5%	45,326	7.3%
Arizona	37,590	5.7%	35,204	5.7%
All other states	196,616	29.9%	184,091	29.8%
Total U.S.	\$ 547,188	83.1%	\$ 499,861	80.9%
Germany	\$ 72,135	11.0%	\$ 106,198	17.2%
Australia, United Kingdom, Switzerland, Italy, and Spain	38,855	5.9%	11,633	1.9%
Total International	\$ 110,990	16.9%	\$ 117,831	19.1%
Grand Total	\$ 658,178	100.0%	\$ 617,692	100.0%

Adjusted Revenue by Facility Type

	For the Nine Months Ended September 30,			
	2019		2018	
	Total Adjusted Revenue	Percentage of Total Adjusted Revenue	Total Adjusted Revenue	Percentage of Total Adjusted Revenue
<b>Facility Types</b>				
General acute care hospitals	\$ 530,383	80.6%	\$ 449,445	72.8%
Rehabilitation hospitals	105,369	16.0%	145,442	23.5%
Long-term acute care hospitals	22,426	3.4%	22,805	3.7%
Total	\$ 658,178	100.0%	\$ 617,692	100.0%

Results of Operations

Three Months Ended September 30, 2019 Compared to September 30, 2018

Net income for the three months ended September 30, 2019, was \$89.8 million, compared to \$736.0 million for the three months ended September 30, 2018. This decrease is primarily due to the \$695.2 million of gains on sales of real estate in the 2018 third quarter, including the joint venture transaction with Primotop and the North Cypress disposal described in Note 3 to Item 1 of this Form 10-Q. This decrease is partially offset by incremental revenue from new investments in 2018 and 2019. Funds from operations (“FFO”), after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$147.5 million for the 2019 third quarter as compared to \$127.2 million for the 2018 third quarter. This increase in FFO is primarily due to incremental revenue from new investments in 2018 and 2019.

A comparison of revenues for the three month periods ended September 30, 2019 and 2018 is as follows (dollar amounts in thousands):

	2019	% of Total	2018	% of Total	Year over Year Change
Rent billed	\$ 124,361	55.3%	\$ 118,238	60.0%	5.2%
Straight-line rent	31,026	13.8%	18,293	9.3%	69.6%
Income from direct financing leases	17,502	7.8%	18,998	9.7%	-7.9%
Interest and other income	51,867	23.1%	41,467	21.0%	25.1%
Total revenues	\$ 224,756	100.0%	\$ 196,996	100.0%	14.1%

Our total revenue for the 2019 third quarter is up \$27.8 million, or 14%, from the prior year. This increase is made up of the following:

- Operating lease revenue (includes rent billed and straight-line rent) – up \$18.9 million from the prior year of which \$24.4 million is from incremental revenue from acquisitions (\$13.2 million of which relates to Healthscope), along with expansion and development projects, and \$12.9 million of additional lease revenue related to the conversion of five Steward mortgage loans to fee simple assets in 2018. This increase is partially offset by a net \$18.9 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 \$1.2 million from unfavorable foreign currency fluctuations.
- Income from direct financing leases – down \$1.5 million primarily due to not recording rent on two Alecto properties during the three months ended September 30, 2019 as described in Note 3 to Item 1 of this Form 10-Q.
- Interest and other income – up \$10.4 million from the prior year due to the following:
  - Interest from loans – up \$7.4 million over the prior year of which \$20.0 million is from incremental revenue from new loans made after September 2018 (of which \$16.4 million relates to Prospect). This increase is partially offset by \$8.3 million of lower interest revenue related to Steward mortgage loans converted to fee simple assets in 2018 and \$4.4 million from the payoff of our Ernest acquisition and other loans in the fourth quarter of 2018.
  - Other income – up \$3.0 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 Condensed Consolidated Statements of Net Income.

Interest expense, for the quarters ended September 30, 2019 and 2018, totaled \$64.5 million and \$57.2 million, respectively. This increase is primarily related to additional interest from the \$900 million senior unsecured notes offering in the third quarter of 2019.

Real estate depreciation and amortization during the third quarter of 2019 increased to \$40.8 million from \$29.9 million in 2018 due to the new investments made in 2019, partially offset by property sales in 2018 and the conversion of the five Steward mortgage loans to fee simple assets.

Property-related expenses totaled \$4.0 million and \$2.7 million for the quarters ended September 30, 2019 and 2018, respectively. 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 totaled \$23.3 million for the 2019 third quarter, which is a \$2.3 million increase from the prior year third quarter. The majority of the increase relates to stock compensation expense from our performance-based awards. Given our strong performance in 2018 with a total shareholder return of 25% along with our performance to-date in 2019, we believe it is more likely that such performance awards will be earned and have adjusted our stock compensation expense accordingly. We do expect a quarterly run-rate for general and administrative expenses to be in the \$23 million to \$25 million range.

During the three months ended September 30, 2018, we completed the joint venture transaction with Primotop (as more fully described in Note 3 to Item 1 of this Form 10-Q), in which we sold 71 inpatient rehabilitation hospitals by way of a joint venture arrangement, as well as one general acute care hospital located in Texas, resulting in a total gain of \$695.2 million. This gain was partially offset by a \$48 million adjustment to lower the carrying value of the real estate to fair value on seven of our transitioning Adeptus Health facilities and four of our Alecto facilities – see Note 3 to Item 1 of this Form 10-Q for further details. During the three months ended September 30, 2019, we sold one Adeptus transition facility that was vacant for a gain of \$0.2 million.

Earnings from equity interests totaled \$3.5 million for the quarter ended September 30, 2019, a \$0.4 million increase from the same period in 2018 due to our investment in the Primotop joint venture made in the third quarter of 2018 and our investment in Switzerland made at the end of the second quarter of 2019, partially offset by a lower return year-over-year in our Hoboken investment.

In the third quarter of 2019, we recognized a \$4.0 million unutilized financing fee charge related to the commitment fee paid on the unused bridge loan for the Prospect transaction. There was no similar charge in the 2018 third quarter.

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 \$0.7 million income tax benefit for the three months ended September 30, 2019, represents the benefit from our TRS in the quarter. The benefit is partially offset by tax expense from our international investments. 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 \$3 million should continue to be recorded against certain of our international net deferred tax assets at September 30, 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 earned.

#### ***Nine Months Ended September 30, 2019 Compared to September 30, 2018***

Net income for the nine months ended September 30, 2019, was \$245.0 million, compared to \$938.2 million for the nine months ended September 30, 2018. This decrease is primarily due to the \$720.8 million of gains on sales of real estate during the first nine months of 2018 from the disposal of five properties and the joint venture transaction with Primotop, partially offset by the \$48 million adjustment to lower the carrying value of certain real estate to fair value in 2018- see Note 3 to Item 1 of this form 10-Q for additional details. FFO, after adjusting for certain items (as more fully described in Reconciliation of Non-GAAP Financial Measures), was \$386.2 million for the first nine months of 2019 as compared to \$388.6 million for the first nine months of 2018. This decrease in FFO is primarily due to lower revenue from the property sales in 2018, partially offset by revenues from new investments in 2019.

A comparison of revenues for the nine month periods ended September 30, 2019 and 2018 is as follows (dollar amounts in thousands):

	2019	% of Total	2018	% of Total	Year over Year Change
Rent billed	\$ 343,841	57.5%	\$ 369,076	61.1%	-6.8%
Straight-line rent	76,813	12.9%	49,157	8.1%	56.3%
Income from direct financing leases	52,168	8.7%	55,613	9.2%	-6.2%
Interest and other income	124,937	20.9%	130,098	21.6%	-4.0%
<b>Total revenues</b>	<b>\$ 597,759</b>	<b>100.0%</b>	<b>\$ 603,944</b>	<b>100.0%</b>	<b>-1.0%</b>

Our total revenue for the first nine months of 2019 is down \$6.2 million, or 1%, from the prior year. This decrease is made up of the following:

- Operating lease revenue (includes rent billed and straight-line rent) – up \$2.4 million from the prior year of which \$53.1 million of additional lease revenue is related to the conversion of five Steward mortgage loans to fee simple assets in 2018, and \$34.9 million is from incremental revenue from acquisitions (\$16.8 million of which relates to Healthscope). This increase is partially offset by a net \$80.0 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 \$7.1 million from unfavorable foreign currency fluctuations.
- Income from direct financing leases – down \$3.4 million primarily due to lower revenue from Alecto properties, as more fully described in Note 3 to Item 1 of this Form 10-Q.
- Interest and other income – down \$5.2 million from the prior year due to the following:
  - Interest from loans – down \$15.9 million over the prior year of which \$34.9 million is the result of lower interest revenue related to Steward mortgage loans converted to fee simple assets in 2018 and \$13.2 million is from the payoff of our Ernest acquisition and other loans in the fourth quarter of 2018. This is partially offset by \$32 million of interest revenue earned on new loan investments (\$16.4 million of which relates to Prospect and \$11.1 million relates to the shareholder loan with the Primotop joint venture).
  - Other income – up \$10.7 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 Condensed Consolidated Statements of Net Income.

Interest expense, for the nine months ended September 30, 2019 and 2018, totaled \$167.4 million and \$172.4 million, respectively. This decrease is primarily related to the lower average revolving debt balance during the first nine months of 2019 compared to the first nine months of 2018 as we paid down our revolver with proceeds from property sales in 2018. This decrease was partially offset by additional interest from the Australian term loan and the \$900 million senior unsecured notes offering during the first nine months of 2019.

Real estate depreciation and amortization during the first nine months of 2019 increased to \$108.2 million from \$100.2 million in the same period of 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 totaled \$15.4 million and \$6.8 million for the nine months ended September 30, 2019 and 2018, respectively. 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 totaled \$69.0 million for the first nine months of 2019, which is a \$10.7 million increase from the prior year. The majority of the increase relates to stock compensation expense from our performance-based awards. Given our strong performance in 2018 with a total shareholder return of 25% along with our performance to-date in 2019, we believe it is more likely that such performance awards will be earned and have adjusted our stock compensation expense accordingly.

During the nine months ended September 30, 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 \$720.8 million. This gain was partially offset by a \$48 million adjustment to lower the carrying value of the real estate to fair value on seven of our transitioning Adeptus Health facilities and four of our Alecto facilities – see Note 3 to Item 1 of this Form 10-Q for further details.

Earnings from equity interests was \$11.6 million for the first nine months of 2019, up \$1.1 million from the same period of 2018 due to our investment in the Primotop joint venture made in the third quarter of 2018 and our investment in Switzerland made at the end of the second quarter of 2019, partially offset by a lower return year-over-year in our Hoboken investment.

During the first nine months of 2019, we recognized a \$4.0 million unutilized financing fee charge related to the commitment fee paid on the unused bridge loan for the Prospect transaction. We also incurred a \$0.9 million charge of accelerated commitment fee amortization expense in the 2019 second quarter associated with our Australian term loan facility. There were no similar charges during the first nine months of 2018.

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 \$3.4 million income tax benefit for the nine months ended September 30, 2019, represents the benefit from straight-line rent and other write-offs on our TRS in this period. The benefit is partially offset by tax expense from our international investments. 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 \$3 million should continue to be recorded against certain of our international net deferred tax assets at September 30, 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 earned.

### **Reconciliation of Non-GAAP Financial Measures**

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 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 for the three and nine months ended September 30, 2019 and 2018 (in thousands, except per share data):

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>FFO information:</b>				
Net income attributable to MPT common stockholders	\$ 89,786	\$ 736,034	\$ 245,046	\$ 938,202
Participating securities' share in earnings	(432)	(290)	(1,354)	(808)
Net income, less participating securities' share in earnings	\$ 89,354	\$ 735,744	\$ 243,692	\$ 937,394
Depreciation and amortization	50,163	32,641	130,424	104,314
Gain on sale of real estate and other, net	(209)	(647,204)	(62)	(672,822)
Funds from operations	\$ 139,308	\$ 121,181	\$ 374,054	\$ 368,886
Write-off of straight-line rent and other, net of tax benefit	4,230	4,321	7,232	17,615
Unutilized financing fees	3,959	—	4,873	—
Acquisition costs, net of tax benefit	—	1,661	—	2,072
Normalized funds from operations	\$ 147,497	\$ 127,163	\$ 386,159	\$ 388,573
<b>Per diluted share data:</b>				
Net income, less participating securities' share in earnings	\$ 0.20	\$ 2.00	\$ 0.60	\$ 2.56
Depreciation and amortization	0.12	0.09	0.32	0.29
Gain on sale of real estate and other, net	—	(1.76)	—	(1.84)
Funds from operations	\$ 0.32	\$ 0.33	\$ 0.92	\$ 1.01
Write-off of straight-line rent and other, net of tax benefit	0.01	0.01	0.02	0.04
Unutilized financing fees	—	—	0.01	—
Acquisition costs, net of tax benefit	—	0.01	—	0.01
Normalized funds from operations	\$ 0.33	\$ 0.35	\$ 0.95	\$ 1.06

### 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 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 pro forma gross assets (in thousands):

	As of September 30, 2019	As of December 31, 2018
Total assets	\$ 12,452,153	\$ 8,843,643
Add:		
Binding real estate commitments on new investments(1)	27,500	865,165
Unfunded amounts on development deals and commenced capital improvement projects(2)	130,096	229,979
Accumulated depreciation and amortization	571,589	464,984
Incremental gross assets of our joint ventures(3)	530,593	375,544
Less:		
Cash and cash equivalents	(157,596)	(720,868)
Total pro forma gross assets	\$ 13,554,335	\$ 10,058,447

- (1) The 2019 column reflects a commitment to finance the development of a facility in Texas, and the 2018 column reflects the acquisition of 11 facilities in Australia in June 2019 along with the acquisition of one property in Germany in February 2019.
- (2) Includes \$43.3 million and \$94.1 million of unfunded amounts on ongoing development projects and \$86.8 million and \$135.9 million of unfunded amounts on capital improvement and development projects that have commenced rent, as of September 30, 2019 and December 31, 2018, respectively.
- (3) Adjustment needed to reflect our share of our joint ventures' gross assets.

## Adjusted revenue

Adjusted revenue is 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 revenue (in thousands):

	For the Nine Months Ended September 30,	
	2019	2018
Total revenues	\$ 597,759	\$ 603,944
Revenue from properties owned through joint venture arrangements	60,419	13,748
Total adjusted revenues	\$ 658,178	\$ 617,692

## LIQUIDITY AND CAPITAL RESOURCES

### 2019 Cash Flow Activity

During the nine months ended September 30, 2019, we generated approximately \$330 million of cash flows from operating activities, primarily consisting of rent and interest from mortgage and other loans. We used these operating cash flows to fund our dividends of \$291.7 million.

Certain investing and financing activities in the first nine months of 2019 included:

- a) Purchased \$3.7 billion in real estate assets representing more than 70 facilities across four countries;
- b) Funded approximately \$260 million of development, capital addition and other projects;
- c) Sold 36.1 million shares of common stock under our at-the-market equity offering program, resulting in net proceeds of approximately \$649 million;
- d) Closed on an Australian term loan facility for approximately \$837 million to help fund the Healthscope acquisition; and
- e) Completed an underwritten public offering of 51.75 million shares, resulting in net proceeds of \$858.1 million. Completed a \$900 million senior unsecured notes offering resulting in net proceeds of approximately \$885 million. We used proceeds from these offerings to invest in 16 facilities for \$1.55 billion leased or loaned to Prospect.

Subsequent to quarter-end, we completed an underwritten public offering of 57.5 million shares resulting in net proceeds of approximately \$1.026 billion. We plan to use these proceeds to finance the commitments described in Note 11 in Item 1 of this Form 10-Q.

### 2018 Cash Flow Activity

During the nine months ended September 30, 2018, we generated \$299.1 million of cash flows from operating activities, 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 \$272.4 million and certain investing and financing activities.

Certain investing and financing activities in the first nine months of 2018 included:

- a) Generated \$2.3 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) Funded the acquisition of one property in Pasco, Washington for \$17.5 million and three properties in Germany for €17.3 million;
- c) Originated \$174.5 million in mortgage loans;
- d) Funded approximately \$91.5 million of development and capital improvement projects;
- e) Acquired four facilities operated by Steward by converting the \$525.4 million in mortgage loans on the same properties plus cash consideration; and
- f) We used the net cash received from the joint venture transaction with Primotop to reduce our revolver by approximately \$820 million during the nine months ended September 30, 2018.

### Short-term Liquidity Requirements:

As of September 30, 2019, we have no debt principal payments due in the next twelve months — see debt maturity schedule below. At November 8, 2019, and subsequent to our equity offering in which we raised \$1.026 billion, our availability under our revolving credit facility plus cash on-hand approximated \$2 billion. We believe this liquidity along with our current monthly cash receipts from rent and loan interest, and regular distributions from our joint venture arrangements, is sufficient to fund our operations, debt and interest obligations, our firm commitments (including expected funding requirements on our development projects and the LifePoint transaction), and dividends in order to comply with REIT requirements for the next twelve months.

### Long-term Liquidity Requirements:

As of September 30, 2019, we have no debt principal payments due between now and January 2021 when our revolving credit facility comes due (which can be extended by one year). Our liquidity at November 8, 2019, and subsequent to our equity offering that raised \$1.026 billion in proceeds, of approximately \$2 billion, along with our current monthly cash receipts from rent and loan interest, and regular distributions from our joint venture arrangements, is sufficient to fund our operations, debt and interest obligations, our firm commitments (including expected funding requirements on our development projects and the LifePoint transaction), and dividends in order to comply with REIT requirements for the next twelve months.

However, our acquisition pipeline continues to remain strong, so in order to fund our acquisitions and to fund debt maturities coming due in later years, we will need additional capital, and we believe the following sources of capital are generally available in the market and we may access one or a combination of them:

- issuance of new USD, EUR or GBP denominated debt securities, including senior unsecured notes;
- sale of equity securities;
- amending or entering into new bank term loans;
- placing new secured loans on real estate located in and 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.

As of September 30, 2019, principal payments due on our debt (which excludes the effects of any discounts, premiums, or debt issue costs recorded) are as follows (in thousands):

2019	\$	—
2020		—
2021		451,006
2022		744,950
2023		—
Thereafter		4,954,950
Total	\$	<u>6,150,906</u>

### Disclosure of Contractual Obligations

We presented our contractual obligations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and updated the schedule in the first two quarters of 2019. Except for changes to our debt, there have been no other significant changes as of September 30, 2019. However, see Note 11 for activities subsequent to September 30, 2019.

The following table updates our contractual obligations schedule for updates to our debt (in thousands):

<u>Contractual Obligations</u>	<u>Less Than 1 Year (1)</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>After 5 Years</u>	<u>Total</u>
4.625% Senior Unsecured Notes due 2029	\$ —	\$ 83,828	\$ 83,250	\$ 1,149,750	\$ 1,316,828

(1) This column represents the remaining three months of 2019.

## Distribution Policy

The table below is a summary of our distributions declared during the two year period ended September 30, 2019:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Date of Distribution</u>	<u>Distribution per Share</u>
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

We intend to pay to our stockholders, within the time periods prescribed by the Internal Revenue Code (“Code”), all or substantially all of our annual 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 amount of dividends we can pay - see Note 4 in Item 1 of this Form 10-Q for further information.

### Item 3. 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 hedging, 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 September 30, 2019, our outstanding debt totaled \$6.1 billion, which consisted of fixed-rate debt, after considering the interest rate swap on the Australian term loan, of approximately \$5.4 billion and variable rate debt of \$0.7 billion. If market interest rates increase by 1%, the fair value of our debt at September 30, 2019 would decrease by \$6.0 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 \$0.2 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 \$0.2 million per year. This assumes that the average amount outstanding under our variable rate debt for a year is \$0.7 billion, the balance of such variable rate debt at September 30, 2019.



### **Foreign Currency Sensitivity**

With our investments in Germany, the United Kingdom, Spain, Italy, 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. 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 operating results to-date in 2019 and on an annualized basis, a 5% change to the following exchange rates would impact our net income and FFO by the amounts below (in thousands):

	<u>Net Income Impact</u>	<u>FFO Impact</u>
Euro (€)	\$ 172	\$ 1,367
British pound (£)	304	725
Swiss franc (CHF)	418	978
Australian dollar (AUD \$)	508	1,482

### **Item 4. Controls and Procedures.**

#### ***Medical Properties Trust, Inc. and MPT Operating Partnership, L.P.***

We have adopted and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, 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 our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b), under the Securities Exchange Act of 1934, as amended, we have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 1. Legal Proceedings.**

The information contained in Note 9 “Contingencies” of Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1.

**Item 1A. Risk Factors.**

Please review the risk factors disclosed under the section entitled “Risk Factors” beginning on page 15 of our Annual Report on Form 10-K for the year ended December 31, 2018 and filed with the SEC on March 1, 2019, as well as the supplemental risk factor below. There have been no other material changes to the Risk Factors as presented in our Annual Report on Form 10-K for the year ended December 31, 2018.

*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 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-to-date, our total assets have grown by over 40%, and we have expanded our presence to seven 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 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.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

- (a) None.
- (b) Not applicable.
- (c) None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

- (a) None.
- (b) None.

**Item 6. Exhibits**

Exhibit Number	Description
10.1(1)	<a href="#">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.</a>
10.2*	<a href="#">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”.</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (Medical Properties Trust, Inc.)</a>
31.3*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)</a>
31.4*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. (MPT Operating Partnership, L.P.)</a>
32.1**	<a href="#">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.)</a>
32.2**	<a href="#">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.)</a>
Exhibit 101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
Exhibit 104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

\* Filed herewith.

\*\* Furnished herewith.

(1) Incorporated by reference to Registrants’ joint current report on Form 8-K, filed with the Commission on July 29, 2019.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MEDICAL PROPERTIES TRUST, INC.**

By: /s/ J. Kevin Hanna

J. Kevin Hanna

Vice President, Controller, Assistant Treasurer,  
and Chief Accounting Officer  
(Principal Accounting Officer)

**MPT OPERATING PARTNERSHIP, L.P.**

By: /s/ J. Kevin Hanna

J. Kevin Hanna

Vice President, Controller, Assistant  
Treasurer, and Chief Accounting Officer  
of the sole member of the general partner  
of MPT Operating Partnership, L.P.  
(Principal Accounting Officer)

Date: November 12, 2019

**REAL PROPERTY ASSET PURCHASE AGREEMENT**

**BY AND AMONG**

**Prospect Medical Holdings, Inc.,**

**as "Prospect Medical"**

**AND**

**THE ENTITIES IDENTIFIED AS "SELLERS," "BORROWER" AND "OPERATOR LESSEES" ON  
SCHEDULE 1-A ATTACHED HERETO,  
collectively as the "Prospect Medical Subsidiaries"**

**AND**

**THE ENTITIES IDENTIFIED AS "BUYERS," "LENDER" AND "MPT TRS LENDER" ON  
SCHEDULE 1-B ATTACHED HERETO,  
collectively as the "MPT Parties"**

**Dated as of July 10, 2019**

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## **REAL PROPERTY ASSET PURCHASE AGREEMENT**

**THIS REAL PROPERTY ASSET PURCHASE AGREEMENT ("Agreement")** made and entered into as of July 10, 2019 (the "**Effective Date**"), by and among PROSPECT MEDICAL HOLDINGS, INC., a Delaware corporation ("**Prospect Medical**"), the entities listed on **Schedule 1-A** under the heading "Sellers" (individually and collectively as the context may require, the "**Sellers**" and for purposes of this Agreement, "Sellers" shall be deemed to include the Special Condition Sellers from and after the Effective Date), Alta Newport Hospital, Inc., a California corporation (the "**Borrower**"), and the entities listed on **Schedule 1-A** hereto under the heading "Operator Lessees" (individually and collectively as the context may require, the "**Operator Lessees**" and together with the Sellers and Borrower, collectively, the "**Prospect Medical Subsidiaries**"), and the entities listed on **Schedule 1-B** hereto under the heading "Buyers" (individually and collectively as the context may require, the "**Buyers**"), MPT of Tustin PMH, L.P., a Delaware limited partnership (the "**Lender**"), and MPT TRS Lender PMH, LLC, a Delaware limited liability company (the "**MPT TRS Lender**" and together with the Buyers and the Lender, the "**MPT Parties**"). Prospect Medical, the Prospect Medical Subsidiaries, and the MPT Parties are herein sometimes collectively referred to as the "**Parties**." An index of defined terms used in this Agreement is attached as ***Annex A*** hereto.

### **RECITALS**

**WHEREAS**, the Sellers and the Borrower collectively own certain separate tracts of land in the States of California, Connecticut, and Rhode Island, and the Commonwealth of Pennsylvania, with common street addresses listed on **EXHIBIT A** attached hereto, the legal descriptions of which will be finalized pursuant to **Section 4.5** (such land, including all hereditaments, easements, rights of way and other appurtenances related thereto, the "**Land**"), and all Improvements located thereon (the Land and such Improvements located thereon are sometimes collectively referred to herein as the "**Real Property**");

**WHEREAS**, the Sellers, the Operator Lessees, and the Borrower collectively operate a portfolio of healthcare facilities in the States of California, Connecticut, and Rhode Island, and the Commonwealth of Pennsylvania, located on the Real Property (each such facility shall be individually referred to as a "**Facility**" and collectively, the "**Facilities**");

**WHEREAS**, subject to satisfaction of the terms and conditions set forth herein, each Seller hereby agrees (and on behalf of the Special Condition Seller, Prospect Medical hereby agrees) to sell to the applicable Buyer and each Buyer hereby agrees to purchase from the applicable Seller, the applicable Acquired Assets (as defined below) owned by such Seller, for the amounts set forth on **Schedule 1-C** (collectively, the "**Sales**");

**WHEREAS**, subject to satisfaction of the terms and conditions set forth herein, Borrower hereby agrees to borrow from the Lender and the Lender hereby agrees to make the mortgage loan to the Borrower, of the aggregate amount set forth on **Schedule 1-D** (collectively, the "**Mortgage Loan**");

---

**WHEREAS**, in connection with the closing of the transactions contemplated hereby: (i) certain of the Buyers, as landlords, and certain of the Sellers or Operator Lessees, as tenants, shall enter into a Master Lease Agreement in the form attached hereto as **EXHIBIT B** (the "**Master Lease I**") with respect to the portions of the Real Property described on **EXHIBIT A** as "Master Lease I Properties"; (ii) certain of the Buyers, as landlords, and certain of the Sellers or Operator Lessees, as tenants, shall enter into a Master Lease Agreement in the form of Master Lease I, but with the riders and inserts attached hereto as **EXHIBIT C** (the "**Master Lease II**" and together with Master Lease I, the "**Master Leases**") with respect to the portions of the Real Property described on **EXHIBIT A** as "Master Lease II Properties"; (iii) the Lender and the Borrower shall enter into that certain Real Estate Loan Agreement in the form attached hereto as **EXHIBIT D** (the "**Mortgage Loan Agreement**"), with respect to the portion of the Real Property described on **EXHIBIT A** as "Mortgage Loan Property," together with the Mortgage (as hereinafter defined), the Promissory Note (as hereinafter defined) and the other documents and instruments contemplated therein (collectively, with the Mortgage Loan Agreement, the "**Mortgage Loan Documents**"), pursuant to which the Lender shall make the Mortgage Loan to the Borrower; and (iv) the MPT TRS Lender shall make the TRS Loan (as herein defined) to Prospect Medical, which shall be evidenced by a Promissory Note in the form attached hereto as **EXHIBIT E** (the "**TRS Note**");

**WHEREAS**, notwithstanding that the parties are structuring the Sales transactions as a sale/leaseback, for state, federal and local income tax purposes the parties intend to treat the Sales involving solely those portions of the Real Property described on **EXHIBIT A** as "Master Lease II Properties" as a financing secured by such portion of the Real Property as more fully described in this Agreement;

**WHEREAS**, the Master Leases, the Mortgage Loan Agreement and the TRS Note will be cross-collateralized and cross-defaulted; and

**WHEREAS**, subject to satisfaction of the terms and conditions set forth herein, the consummation of the Sales, the TRS Loan, and the making of the Mortgage Loan (and the payment of the aggregate Purchase Price and the advancing of the TRS Loan Amount and the Mortgage Loan Amount (each as hereafter defined) will occur simultaneously, other than the consummation of the Sales with respect to the Special Condition Property which will occur once the Special Conditions have been satisfied (collectively, the "**Transactions**").

## **AGREEMENT**

**NOW, THEREFORE**, in consideration of the respective agreements and commitments set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Parties, it is hereby agreed by and among the Parties as follows:

## 1. BASIC TRANSACTION.

**1.1 Sale and Purchase and Financing of Assets.** On and subject to satisfaction of the terms and conditions of this Agreement, (i) each Seller agrees to sell, assign, convey, transfer and deliver to the applicable Buyer and each such Buyer hereby agrees to purchase and otherwise acquire from such Seller, all of such Seller's right, title and interest in and to the Acquired Assets (free and clear of all Encumbrances other than Permitted Encumbrances) for the amounts set forth on Schedule 1-C, (ii) Prospect Medical agrees to obtain the TRS Loan from the TRS Lender pursuant to the TRS Note, and the TRS Lender agrees to make the TRS Loan to Prospect Medical, and (iii) the Borrower agrees to obtain a first-priority mortgage loan from the Lender and such Lender hereby agrees to make a first-priority mortgage loan to the Borrower, all secured by the Financed Asset (free and clear of all Encumbrances other than Permitted Encumbrances) in the amounts set forth on Schedule 1-D, and in accordance with the terms of the Mortgage Loan Documents. Except as otherwise expressly provided to the contrary herein, the obligations and liabilities of Prospect Medical and the Prospect Medical Subsidiaries (collectively, the "**Prospect Medical Parties**") under this Agreement shall be joint and several and the MPT Parties' obligations and liabilities under this Agreement shall be joint and several.

The terms "**Acquired Assets**" and "**Financed Asset**" shall mean, with respect to each Seller and/or Borrower, individually and as applicable, all of such Seller's and/or Borrower's right, title and interest in and to the following:

(a) All Real Property;

(b) To the extent permitted by applicable law and legally assignable, all intangible property relating exclusively to the Real Property, including, but not limited to, zoning rights, Licenses (other than those Licenses relating to the operation of the Facilities, including, without limitation, the Healthcare Licenses, which are specifically excluded) and Warranties and indemnifications or similar rights affecting or inuring to the benefit of the Real Property or the owner thereof; and

(c) To the extent owned and in the possession or control of any of the Prospect Medical Parties, all site plans, surveys, architectural drawings, plans and specifications, building condition inspection reports, engineering and environmental plans and studies, title reports, floor plans and landscape plans relating to the Real Property (collectively the "**Property Documents**").

**1.2 Excluded Assets.** Notwithstanding anything to the contrary contained herein, including Section 1.1 above, each of the Prospect Medical Parties, as applicable, shall retain all of its right, title and interest in and to and shall have no obligation to (and shall not be deemed to) sell, assign, convey, transfer, mortgage, pledge, hypothecate or otherwise deliver to Buyers and/or Lender, as applicable, any or all of its assets and properties other than the Acquired Assets and the Financed Asset (collectively, the "**Excluded Assets**"), which Excluded Assets shall include, without limitation, the following:

(a) All cash, funds, accounts receivables, securities and investments of any of the Prospect Medical Parties;

(b) Loan receivables related to obligations of an Affiliate of any of the Prospect Medical Parties;

(c) Any casualty, liability or other insurance policies of any of the Prospect Medical Parties with respect to the Acquired Assets and/or the Financed Asset (subject to the assignment to any of the applicable MPT Parties of the proceeds of such policies in the event of a casualty);

(d) All personal property of any kind or nature, inventories, supplies, books and records, including without limitation, all medical equipment and equipment which is not a Fixture including all other personal property, other than the limited personal property described in Section 1.1 above;

(e) All Permits, Healthcare Licenses, Intellectual Property, and contracts or agreements (including but not limited to the Material Contracts, healthcare compliance agreements and personal property leases);

(f) All leases, subleases, commitment letters, letters of intent and other rental agreements, whether written or oral, in effect (either on the date of this Agreement or on the Closing Date), if any, that grant or will grant a possessory interest in and to any space in the Real Property or that otherwise assign or convey rights with regard to the Real Property or the Improvements;

(g) All leases of real property where any of the Prospect Medical Subsidiaries is the tenant, including any ground leases;

(h) All Licenses relating to the operation of the Facilities, including, without limitation, the Healthcare Licenses;

(i) All claims related to any Government Program contract or Payor Contract reimbursement dispute;

(j) Any refunds or credits, claims for refunds or credits, or rights to receive refunds or credits from any Governmental Body; and

(k) All real property set forth on *Schedule 1-E* attached hereto.

### **1.3 Purchase Price and Mortgage Loan Amount.**

(a) The aggregate purchase price to be paid by the Buyers to the Sellers for the Acquired Assets (the "**Purchase Price**") shall be equal to the sum of One Billion Three Hundred Eighty Five Million Seven Hundred Ninety Six Thousand Ninety Six and No/100 Dollars (\$1,385,796,096.00), plus any Adjustment Amount pursuant to Section 1.5.

(b) The loan to be advanced by the TRS Lender to Prospect Medical (the "**TRS Loan**") shall be in the amount of One Hundred Twelve Million Nine Hundred Thirty Seven Thousand Two Hundred Four and No/100 Dollars (\$112,937,204.00) (the "**TRS Loan Amount**").

(c) The aggregate mortgage loan amount to be advanced by the Lender to the Borrower for the Financed Asset (the "**Mortgage Loan Amount**") shall be Fifty One Million Two Hundred Sixty-Six Thousand Seven Hundred and No/100 Dollars (\$51,266,700.00), plus any Adjustment Amount pursuant to Section 1.5.

#### **1.4 Payment of Purchase Price and Advance of TRS Loan and Mortgage Loan Amount.**

(a) Subject to Section 1.4(d) below, the Individual Purchase Price (as defined below) for the Acquired Assets relating to each such Facility shall be paid at the applicable Closing in cash by wire transfer or delivery of other immediately available U.S. funds payable to the order of the applicable Seller, or as otherwise directed in writing by Prospect Medical.

(b) The TRS Loan Amount shall be advanced at the initial Closing in cash by wire transfer or delivery of other immediately available U.S. funds payable to the order of Prospect Medical.

(c) The Individual Mortgage Loan Amount (as defined below) for the Financed Asset relating to such Facility shall be advanced at the Closing in cash by wire transfer or delivery of other immediately available U.S. funds payable to the order of the Borrower, or as otherwise directed in writing by Prospect Medical.

(d) At the Closing of the Special Condition Property, the applicable Buyers shall pay to the applicable Sellers the Individual Purchase Price for such Special Condition Property, and Prospect Medical shall pay in full all amounts then due and owing under the TRS Note; provided, that, for convenience, the MPT Parties shall credit and offset the amount of the Individual Purchase Price against amounts then due and payable under the TRS Note by Prospect Medical, and Prospect Medical shall pay any remaining amounts then due and payable under the TRS Note; provided, further, that, Prospect Medical and the applicable Sellers in all events shall cause all necessary and appropriate distributions from the applicable Sellers to be made to the then existing direct and indirect equity owners of the Special Condition Sellers in accordance with all applicable laws and the then effective governing documents of such entities, as applicable. For the avoidance of doubt, the Parties intend that the foregoing Transaction shall be cashless and consummated without any further wire or transfer of funds by any of the MPT Parties. The terms of this Section 1.4(d) shall survive the Closing of all Transactions contemplated in this Agreement.

(e) The Parties acknowledge that delivery and disbursement of the amounts described in Section 1.4(a), (b), (c) and (d) shall be through the Title Company as described in Section 1.7(c).

#### **1.5 Post-Closing Adjustments.**

(a) During the period commencing on the Closing Date and ending on the final day of the month in which the three (3) year anniversary of the Closing Date occurs (the "**Calculation Period**"), if (i) Prospect Medical and its Subsidiaries achieve Annualized Adjusted EBITDAR at the levels described in the table below, and (ii) during the applicable Review Period, there exists no Major Event of Default (as defined in the Master Leases (and no event has occurred, which with the giving of notice or the passage of time or both would constitute such a Major Event of Default)), then the MPT Parties shall pay and loan (as applicable) to the Sellers and the Borrower the total amount shown in the table below corresponding to the level of Annualized Adjusted EBITDAR so achieved (the "**Adjustment Amount**") *less* any previously paid earned Adjustment Amounts, up to a total potential payment of \$250,000,000 of additional consideration for the Acquired Assets and additional advances of the Mortgage Loan, all as periodically measured and determined pursuant to Section 1.5(b) and allocated to the Real Property that has then been acquired pursuant to a Closing hereunder, in accordance with Section 1.8(c) below.

<b>Annualized Adjusted EBITDAR achieved</b>	<b>Adjustment Amount earned</b>
\$281,000,000	\$50,000,000
\$292,000,000	\$100,000,000
\$303,000,000	\$150,000,000
\$314,000,000	\$200,000,000
\$325,000,000	\$250,000,000

(b) The Adjustment Amount, if any, shall be calculated pursuant to the following procedures:

(i) On or before the date which is (x) one hundred twenty (120) days after the end of the fourth quarter of each year and (y) fifty (50) days after the end of each other quarter for each quarter that occurs (fully or partially) within the Calculation Period, Prospect Medical shall prepare and deliver to the MPT Representative a written statement (an “**Adjustment Statement**”) certified as true and correct by an appropriate officer of Prospect Medical, setting forth in reasonable detail its determination of Annualized Adjusted EBITDAR, together with such supporting financial statements, and stating the resulting Adjustment Amount proscribed by the table above (the “**Adjustment Amount Calculation**”), along with all other documents and information reasonably necessary for the MPT Representative to confirm Prospect Medical's calculation of Annualized Adjusted EBITDAR and the resulting Adjustment Amount. For the avoidance of doubt, Prospect Medical shall not be paid any Adjustment Amount until it achieves each level of Annualized Adjusted EBITDAR set forth in the table above, and once paid, that amount shall not be payable again and shall be non-refundable.

(ii) The MPT Representative shall have thirty (30) days after the receipt of the Adjustment Statement and necessary supporting documentation described in Section 1.5(b)(i) (the “**Review Period**”) to review the Adjustment Statement and the Adjustment Amount Calculation. During the Review Period, the MPT Representative and its representatives and accountants shall have the right to inspect the books and records of Prospect Medical and the Prospect Medical Subsidiaries (including the Special Condition Sellers) during normal business hours at Prospect Medical's offices, upon reasonable prior notice and for purposes reasonably related to the determination of Annualized Adjusted EBITDAR during the Calculation Period and the resulting Adjustment Amount. Prior to the expiration of the Review Period, the MPT Representative may object to the Adjustment Amount Calculation set forth in the Adjustment Statement by delivering a written notice of objection (an “**Adjustment Objection Notice**”) to Prospect Medical. Any Adjustment Objection Notice shall specify the items in the applicable Adjustment Statement disputed by the MPT Representative and shall describe in reasonable detail the basis for such objection.

(c) If the MPT Representative fails to timely deliver an Adjustment Objection Notice to Prospect Medical prior to the expiration of the Review Period, then Prospect Medical shall send a notice stating in ALL CAPS: “THIS IS A SECOND NOTICE DELIVERING THE ADJUSTMENT STATEMENT AND FAILURE TO RESPOND WITHIN THIRTY (30) DAYS SHALL CONSTITUTE YOUR DEEMED APPROVAL OF ALL MATTERS SET FORTH HEREIN.” which shall include a copy of the original delivery of the Adjustment Statement and materials described and contained therein (the “**Adjustment Statement Second Notice**”). If the MPT Representative fails to timely deliver an Adjustment Objection Notice to Prospect Medical on or prior to the thirtieth (30<sup>th</sup>) day after the receipt of an Adjustment Statement Second Notice, then the Adjustment Amount Calculation set forth in the Adjustment Statement shall be deemed accepted by the MPT Representative. If the MPT Representative timely delivers an Adjustment Objection Notice to Prospect Medical, the MPT Representative and Prospect Medical shall negotiate in good faith to resolve the disputed items (and any related items that impact the Adjustment Amount Calculation) and agree upon the consolidated Annualized Adjusted EBITDAR during the Calculation Period and the Adjustment Amount. If the MPT Representative and Prospect Medical are unable to reach agreement within thirty (30) days after such Adjustment Objection Notice has been given, all unresolved disputed items that were raised in the Adjustment Objection Notice by the MPT Representative or during the good faith negotiations by Prospect Medical shall be promptly referred to a nationally recognized accounting firm that does not have a current relationship with either the Prospect Medical Parties or the MPT Parties (the “**Independent Accounting Firm**”). The Independent Accounting Firm shall be directed to render a written report stating such Independent Accounting Firm’s conclusion with respect to each of the unresolved disputed items with respect to Prospect Medical’s Adjustment Statement as promptly as practicable, but in no event greater than thirty (30) days after such submission to the Independent Accounting Firm, and to resolve only those unresolved disputed items set forth in the Adjustment Objection Notice. If unresolved disputed items are submitted to the Independent Accounting Firm, the MPT Representative and Prospect Medical shall each furnish to the Independent Accounting Firm such work papers, schedules, financial statements, and other documents and information relating to the unresolved disputed items as the Independent Accounting Firm may reasonably request. The Independent Accounting Firm shall resolve the disputed items based solely on the applicable definitions and other terms in this Agreement and the presentations by the MPT Representative and Prospect Medical, and not by independent review. The resolution of the disputed items and the calculation of consolidated Annualized Adjusted EBITDAR during the Calculation Period that is the subject of the Adjustment Objection Notice by the Independent Accounting Firm shall be final and binding on the Parties. Notwithstanding the foregoing, in the event there is an on-going review by the Independent Accounting Firm with respect to any Adjustment Amount (an “**On-Going Review**”) and the MPT Representative duly delivers an Adjustment Objection Notice challenging the same matters being considered in the On-Going Review, then such matters shall immediately be submitted to the Independent Accounting Firm for expedited review, who will resolve such new matters simultaneously with resolution of the On-Going Review, or if reasonably necessary, shall have an additional ten (10) days after such supplemental submission to render a complete and binding report. The fees and expenses of the Independent Accounting Firm shall be borne 50% by the Sellers and the Borrower and 50% by the Buyers and the Lender, unless the originally submitted Adjustment Statement was incorrect in its calculation of Annualized Adjusted EBITDAR by five percent (5%) or more, in which case such fees and expenses shall be 100% obligation of the Sellers and the Borrower.

(d) Any Adjustment Amount payable pursuant to Section 1.5(a) shall be paid in full no later than thirty (30) days following the date on which the determination of the Adjustment Amount (“**Adjustment Amount Payment Date**”), if any, becomes final and binding upon the parties as provided in Section 1.5(b) (including any final resolution of any dispute raised by the MPT Representative in an Adjustment Objection Notice). The applicable MPT Parties shall pay or loan (as applicable) the applicable Individual Adjustment Amount (as defined in Section 1.8(c)) in cash by wire transfer of immediately available funds to the bank account as specified by Prospect Medical.

(e) Notwithstanding anything to the contrary in this Agreement, the MPT Parties shall have the right to withhold and set-off against any amount then due and payable as of the Adjustment Amount Payment Date pursuant to Section 1.5(c) for costs of the Independent Accounting Firm and any amounts (including, without limitation, any indemnification payments) to which any MPT Indemnified Party is then entitled under this Agreement or any other Transaction Document as of the Adjustment Amount Payment Date, including, without limitation, the Master Leases, the TRS Note, the Mortgage Loan Agreement and the Promissory Note.

**1.6 Liabilities of Prospect Medical Parties.** Notwithstanding any other provision in this Agreement to the contrary, none of the MPT Parties shall assume or agree to pay, satisfy, discharge or perform, or shall be deemed by virtue of the execution and delivery of this Agreement, the other Transaction Documents, or any other document delivered at the applicable Closing pursuant to this Agreement or the other Transaction Documents, or as a result of the consummation of the transactions contemplated by this Agreement, the other Transaction Documents or such other document, to have assumed, or to have agreed to pay, satisfy, discharge or perform, or shall be liable for, any liability, obligation, contract, or Indebtedness of any of the Prospect Medical Parties or any other Person, whether primary or secondary, direct or indirect, including, without limitation, any liability or obligation relating to the ownership, use or operation of any of the Acquired Assets, the Financed Asset or the Facilities prior to the applicable Closing, any liability or obligation arising out of or related to any breach, default, tort or similar act committed by any of the Prospect Medical Parties or any of their Affiliates, or for any failure of the Prospect Medical Parties or any of their Affiliates to perform any covenant or obligation for or during any period prior to the applicable Closing, and any liability arising out of the ownership and operation of the Acquired Assets, the Financed Asset and the Facilities by the Prospect Medical Parties or any other Person prior to the applicable Closing (collectively, the "**Excluded Liabilities**"). The Prospect Medical Parties will pay and discharge or cause to be paid and discharged all such Excluded Liabilities in the Ordinary Course of Business. The terms of this Section 1.6 shall survive the applicable Closing. For the avoidance of doubt, all mortgage loans or other borrowings secured by the Real Property (other than the mortgage loans to be made by the Lender to the Borrower as contemplated in this Agreement) shall be repaid by the Prospect Medical Parties (who shall all have the right to apply proceeds received by any of the Prospect Medical Subsidiaries hereunder towards the repayment of such mortgage loans or other borrowings), at or prior to the applicable Closing, and none of the MPT Parties shall assume any obligations of the Prospect Medical Parties or any of their Affiliates, as applicable, with respect thereto.



**1.7 Closing.** The Parties hereby agree that the closing of the transactions contemplated hereby shall be consummated as follows:

(a) The Closing of the Transactions hereunder (other than with respect to the Special Condition Property) shall occur as promptly as practicable (but in no event later than the third (3rd) Business Day) after all of the conditions precedent for closing set forth in Section 6 of this Agreement have been satisfied (other than conditions which by their terms are required to be satisfied at the Closing) or, if permissible, waived in writing by the party entitled to the benefit of the same (the "**Closing Date**"); *provided, that*, unless the Parties shall otherwise agree in writing, in no case shall the Closing (other than with respect to the Special Condition Property) occur later than October 31, 2019.

(b) With respect to the Transaction involving the Special Condition Property, the Closing of such Transaction shall occur on a Closing Date mutually agreed by applicable Sellers and applicable Buyers, which in any event shall be no later than thirty (30) days after (i) all of the conditions precedent for closing set forth in Section 6 of this Agreement have been satisfied (other than conditions which by their terms are required to be satisfied at the applicable Closing), and (ii) the Special Conditions have been satisfied (other than conditions which by their terms are required to be satisfied at the applicable Closing) (subject to any applicable rights of adjournment provided herein).

(c) Each Closing shall be handled through deliveries to the Title Company into escrow with the Title Company receiving and distributing proceeds in accordance with the terms of this Agreement, or in such other manner and at such other place as agreed to by the Parties hereto. At the applicable Closing, (i) the Prospect Medical Parties shall deliver the documents to be delivered by each of them and their Affiliates pursuant to this Agreement, as well as possession of the applicable Acquired Assets, and the applicable MPT Parties shall pay the Individual Purchase Price for the applicable Acquired Assets as provided in this Agreement and deliver the documents required to be delivered by the Buyers and their Affiliates pursuant to this Agreement, (ii) Prospect Medical shall deliver the TRS Note pursuant to this Agreement and the MPT TRS Lender shall advance the TRS Loan as provided in this Agreement, and (iii) Prospect Medical and the Borrower shall deliver the documents to be delivered by each of them and their Affiliates pursuant to this Agreement and the Lender shall advance the Individual Mortgage Loan Amount for the Financed Asset as provided in this Agreement and deliver the documents required to be delivered by the Lender and its Affiliates pursuant to this Agreement.

**1.8 Allocation of Purchase Price and Mortgage Loan Amount; Tax Reporting.**

(a) The Purchase Price shall be allocated among the Acquired Assets of each Seller as set forth on *Schedule 1-C* attached hereto. The Purchase Price for the Acquired Assets of each individual Seller set forth on *Schedule 1-C* shall be referred to herein as the "**Individual Purchase Price**" for the Acquired Assets of such individual Seller. The Adjustment Amount, if any, shall be allocated among the Acquired Assets in the manner specified in Section 1.8(c).

(b) The Mortgage Loan Amount shall be allocated to the Financed Asset of the Borrower. The Mortgage Loan Amount for the Financed Asset of the Borrower shall be referred to herein as the "**Individual Mortgage Loan Amount**" for the Financed Asset of the Borrower. The Adjustment Amount, if any, shall be allocated to the Financed Asset in the manner specified in Section 1.8(c).

(c) The “**Individual Adjustment Amount**” with respect to (i) an Acquired Asset that has been subject to a Closing hereunder, shall be the product of (A) the aggregate Adjustment Amount with respect to all Acquired Assets that have been acquired pursuant to a Closing, multiplied by (B) (1) the Individual Purchase Price with respect to such Acquired Asset, divided by (2) the aggregate Purchase Price with respect to all such Acquired Assets; and (ii) a Financed Asset shall be the product of (A) the aggregate Adjustment Amount with respect to the Financed Asset, multiplied by (B) (1) the Individual Mortgage Loan Amount with respect to such Financed Asset, divided by (2) the aggregate Mortgage Loan Amount.

(d) Such allocations shall be binding on the Parties for Tax Returns and all other purposes. Each party agrees to report to all appropriate governmental authorities any attendant gain or other Tax item consistent with such allocations. Notwithstanding the foregoing, for purposes of federal, state and local income taxes, the Parties intend and agree that the transactions described in this Agreement and Master Lease II with respect to the “Master Lease II Properties” identified on **EXHIBIT A** are part of one, consolidated transaction treated a secured financing, and not a true sale or true lease; provided, however, that for all other purposes (including, without limitation, for bankruptcy and creditors' rights purposes), the transactions described in this Agreement and Master Lease II with respect to such “Master Lease II Properties” are intended as a true sale and true lease. Each Party agrees that it will report the Sales transaction involving the portions of the Real Property described on **EXHIBIT A** as “Master Lease II Properties” consistently with the foregoing characterization.

**2. REPRESENTATIONS AND WARRANTIES OF THE PROSPECT MEDICAL PARTIES.** The Prospect Medical Parties, jointly and severally, hereby represent, warrant and covenant to the MPT Parties as follows:

**2.1 Existence; Good Standing; Enforceability.**

(a) Prospect Medical is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Delaware. Prospect Medical has all requisite corporate power and authority to own, operate, and lease its properties and carry on its business as currently conducted. Prospect Medical is duly licensed and qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction in which the character of its properties or in which the transaction of its business makes such qualification necessary except where failure to be so qualified, licensed or in good standing would not individually or in the aggregate be material to Prospect Medical. The copies of Prospect Medical’s Certificate of Incorporation (the “**Certificate of Incorporation**”) and current Fourth Amended and Restated Bylaws, adopted by the Prospect Medical Board on November 19, 2014 (the “**Bylaws**”), each as amended to date and provided by Prospect Medical to the MPT Parties, are complete and correct, and no amendments thereto are pending. Prospect Medical is in compliance with the Certificate of Incorporation and the Bylaws in all material respects.

(b) Prospect Medical has all requisite corporate power and authority to execute and deliver this Agreement and each other Transaction Document to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which Prospect Medical is a party, the performance by Prospect Medical of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Prospect Medical Parties, and no further action on the part of Prospect Medical is necessary to authorize the execution and delivery by Prospect Medical of this Agreement or such other Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, except for approvals from any Governmental Bodies, and informational filings with Governmental Bodies, required under applicable legal requirements, as further addressed in Section 2.4(b) herein. This Agreement and the other Transaction Documents to which Prospect Medical is a party have been (or with respect to certain Transaction Documents to be executed at the applicable Closing, will be) duly executed and delivered by Prospect Medical and, assuming the due authorization, execution and delivery of this Agreement and such other Transaction Documents by each of the other Parties hereto and thereto, constitute (or, as applicable with respect to certain Transaction Documents to be executed at the applicable Closing, shall constitute) legal, valid and binding obligations of Prospect Medical, enforceable against Prospect Medical in accordance with the terms and conditions hereof and thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

**2.2 Capitalization of Prospect Medical.** The authorized equity of Prospect Medical consists of (i) one hundred (100) shares of common stock, \$0.01 par value, all of which are held of record on the date hereof by the Persons and in the amounts listed on *Schedule 2.2*. Except as set forth on *Schedule 2.2*, there are no outstanding subscriptions, options, warrants, commitments, preemptive rights, deferred compensation rights, agreements, arrangements or commitments of any kind to which Prospect Medical is a party relating to the issuance of, or outstanding securities convertible into or exercisable or exchangeable for, any shares or other equity interests of Prospect Medical. Except as set forth on *Schedule 2.2*, there are no agreements to which Prospect Medical is a party with respect to the voting of any shares of Prospect Medical or which restrict the transfer of any such membership interests. Except as set forth on *Schedule 2.2*, there are no outstanding contractual obligations of Prospect Medical to repurchase, redeem or otherwise acquire any shares or other equity interests or any other securities of Prospect Medical.

**2.3 Subsidiaries of Prospect Medical.**

(a) *Schedule 2.3(a)* sets forth a description of all of the authorized and issued capital stock, membership interests and other equity interests of all Prospect Medical Subsidiaries. *Schedule 2.3(a)* set forth a list of all of the Prospect Medical Subsidiaries owned, directly or indirectly, by Prospect Medical, all of which are held of record on the date hereof by the Persons and in the amounts listed on such *Schedule 2.3(a)*.

(b) Except as disclosed on the attached **Schedule 2.3(b)**, there are no outstanding subscriptions, options, warrants, commitments, preemptive rights, deferred compensation rights, agreements, arrangements or commitments of any kind to which Prospect Medical or any of the Prospect Medical Subsidiaries or Other Applicable Subsidiaries is a party relating to the issuance of, or outstanding securities convertible into or exercisable or exchangeable for, any shares of capital stock of any class or other equity interests of any of the Prospect Medical Subsidiaries or Other Applicable Subsidiaries, and there are no agreements to which Prospect Medical or any of the Prospect Medical Subsidiaries or Other Applicable Subsidiaries is a party with respect to the voting of any shares of capital stock or other equity interest of any such of the Prospect Medical Subsidiaries or Other Applicable Subsidiaries or which restrict the transfer of any such shares or equity interests. Except as set forth on **Schedule 2.3(b)**, there are no outstanding contractual obligations of Prospect Medical or any of the Prospect Medical Subsidiaries or Other Applicable Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock, other equity interests or any other securities of any Prospect Medical Subsidiary or Other Applicable Subsidiary.

(c) Each of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries is an entity of the type set forth on **Schedule 2.3(c)**, duly incorporated, organized or otherwise formed, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite corporate or similar power and authority to own, operate and lease its properties and to carry on its business as currently conducted. Each of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries is duly licensed or qualified to do business as a foreign organization under the laws of each jurisdiction listed on **Schedule 2.3(c)** and each other jurisdiction in which the character of its properties or in which the transaction of its business makes such qualification necessary, except where failure to be so qualified, licensed or in good standing would not individually or in the aggregate be material to any such Prospect Medical Subsidiary or Other Applicable Subsidiary. The copies of the organizational and governing documents of each such Prospect Medical Subsidiary and Other Applicable Subsidiaries, in each case as amended to date and delivered to the MPT Parties' counsel, are complete and correct in all material respects, and no amendments thereto are pending. Each Prospect Medical Subsidiary and the Other Applicable Subsidiaries, as applicable, is in material compliance with its respective organizational and governing documents.

(d) Each of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries has all requisite limited liability, partnership or corporate, as applicable, power and authority to execute and deliver this Agreement and each Transaction Document to which it is a party and to perform its obligations hereunder and thereunder. **Schedule 2.3(d)** sets forth, for each of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries, such Subsidiary's managers, members, partners, shareholders and directors and any other Persons exercising similar authority. The execution and delivery of this Agreement and each Transaction Document to which any of the Prospect Medical Subsidiaries or the Other Applicable Subsidiaries is a party, the performance by the Prospect Medical Subsidiaries or the Other Applicable Subsidiaries of their respective obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby will be as of the applicable Closing duly authorized by all necessary action by the managers, members, partners, shareholders, directors, and other Persons exercising similar authority, as applicable, of each of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries and no further action on the part of any of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries shall be necessary to authorize the execution and delivery by any of the Prospect Medical Subsidiaries or the Other Applicable Subsidiaries of this Agreement or the other Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, except for approvals from any Governmental Bodies, and informational filings with Governmental Bodies, required under applicable legal requirements, as further addressed in Section 2.4(b) herein.

(e) This Agreement and the other Transaction Documents to which any of the Prospect Medical Subsidiaries or the Other Applicable Subsidiaries is a party have been duly executed and delivered by each of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries and, assuming the due authorization, execution and delivery of this Agreement and such other Transaction Documents by each of the other Parties hereto and thereto, constitute (or, as applicable with respect to certain Transaction Documents to be executed prior to or at the applicable Closing, shall constitute) legal, valid and binding obligations of the Prospect Medical Subsidiaries and the Other Applicable Subsidiaries, enforceable against each of them in accordance with the terms and conditions hereof and thereof, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

#### **2.4 No Conflict; Consents.**

(a) Except as set forth on *Schedule 2.4(a)*, and provided any required approvals from Governmental Bodies are obtained, and required information filings with Governmental Bodies are made, as further addressed in Section 2.4(b) below, the execution and delivery by each of the Prospect Medical Parties of this Agreement and each other Transaction Document to which each of them is a party, and the consummation of the transactions (excluding consideration of general collateral assignments of Material Contracts as a result of the applicable Prospect Medical Parties' execution and delivery of the Security Agreement, but including, as of the applicable Closing Date, the Distribution Transactions) contemplated hereby and thereby in accordance with their respective terms, do not: (i) violate, conflict with or result in a default (whether after the giving of notice, lapse of time or both) under, or give rise to a right of termination, amendment, acceleration or cancellation of, or result in the triggering of any payments or the creation of an Encumbrance on any property or asset of Prospect Medical or the Prospect Medical Subsidiaries under any Material Contract or License (including, without limitation, all Healthcare Licenses) to which Prospect Medical or any of the Prospect Medical Subsidiaries is a party or by which Prospect Medical's or any of the Prospect Medical Subsidiaries' assets are bound; (ii) conflict with, or result in any violation of, any provision of the Certificate of Incorporation, the Bylaws, or any other organizational or governing documents of Prospect Medical or any Prospect Medical Subsidiary; or (iii) violate or result in a violation of or constitute a default under (whether after the giving of notice, lapse of time or both), or result in the triggering of any payments or the creation of an Encumbrance on any property or asset of Prospect Medical or the Prospect Medical Subsidiaries under any provision of any law, regulation or rule, or any order of, or any restriction imposed by, any court or other governmental agency applicable to Prospect Medical or any of the Prospect Medical Subsidiaries, including, without limitation, all applicable Laws regarding the paying, making, or declaring dividends or distributions by the Prospect Medical Parties and the Other Applicable Subsidiaries, except in the case of clause (i) and (iii) above, for such conflicts, violations, breaches, defaults or failure to receive consents that would not individually or in the aggregate be material to any Prospect Medical Party.

(b) The execution and delivery by Prospect Medical and the Prospect Medical Subsidiaries of this Agreement and each other Transaction Document to which any of them is a party, and the consummation by Prospect Medical, the Prospect Medical Subsidiaries, and the Other Applicable Subsidiaries of the transactions contemplated hereby and thereby in accordance with their respective terms, do not require from Prospect Medical, the Prospect Medical Subsidiaries, or the Other Applicable Subsidiaries any notice to, declaration or material filing with, or material consent or approval of any Governmental Body, except for as otherwise set forth on **Schedule 2.4(b)**.

## **2.5 Financial Statements.**

(a) **Schedule 2.5(a)** sets forth true, correct and complete copies of (i) the audited consolidated balance sheets of Prospect Medical and its Subsidiaries as of September 30, 2018 (the “**Audited Balance Sheet**” and the date thereof, the “**Balance Sheet Date**”) and September 30, 2017, and the related audited consolidated statements of income, cash flow and changes in stockholders’ equity of Prospect Medical and its Subsidiaries for the fiscal years then ended (the “**Annual Financials**”) and (ii) in all material respects, the unaudited consolidated balance sheets of Prospect Medical and its Subsidiaries as of May 31, 2019 and the related unaudited consolidated statements of income and cash flow of Prospect Medical and its Subsidiaries for the eight months then ended (the “**Most Recent Balance Sheet**” and together with the Annual Financials, the “**Financial Statements**”).

(b) The Financial Statements fairly present, in all material respects, the consolidated financial position of Prospect Medical and its Subsidiaries, as of the respective dates thereof, and the results of operations and the changes in cash flows of Prospect Medical and its Subsidiaries, for the respective periods set forth therein. Each of the Financial Statements (including all related notes) (i) is consistent with the books and records of Prospect Medical, (ii) was derived from the books and records of Prospect Medical and (iii) has been prepared, in all material respects, in accordance with GAAP applied on a consistent basis during the periods involved, except as any deviations are otherwise specifically noted therein, and subject, in the case of the Most Recent Balance Sheet, to normal year-end adjustments and the absence of footnote disclosures, none of which, individually or in the aggregate, will be material.

(c) Prospect Medical and its Subsidiaries maintain internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements of Prospect Medical and its Subsidiaries, including the Financial Statements. None of the boards of directors or managers of Prospect Medical or any of its Subsidiaries or any audit committee of Prospect Medical or any of its Subsidiaries have been advised by their accountants or consultants of: (x) any significant deficiencies or material weaknesses in the design or operation of the internal controls over financial reporting of Prospect Medical or any of its Subsidiaries which would reasonably be expected to materially and adversely affect its ability to record, process, summarize and report financial data relating to the business of Prospect Medical and its Subsidiaries or (y) any fraud, whether or not material, that involves management or other employees who have a role in the internal controls over financial reporting of Prospect Medical or any of its Subsidiaries. The books and records of Prospect Medical and its Subsidiaries are and have been properly prepared and maintained in form and substance adequate in all material respects for preparing audited consolidated financial statements, in accordance with GAAP and any other applicable legal and accounting requirements.

**2.6 No Undisclosed Liabilities.** Except (i) as reflected in or reserved against in the Financial Statements, (ii) as set forth on *Schedule 2.6*, (iii) for liabilities incurred in the Ordinary Course of Business, (iv) for liabilities under an executory portion of a Contract that have not yet been performed, (v) for Liabilities under this Agreement or entered into in connection herewith, or (vi) Liabilities that are not material to Prospect Medical or any of its Subsidiaries (as applicable), neither Prospect Medical nor any of its Subsidiaries has any material Liabilities.

**2.7 Title to Personal Property; Related Matters.** Except as set forth on *Schedule 2.7*, the Prospect Medical Parties own, have a valid leasehold interest in, or a valid license to use, all of the material tangible personal properties, assets and equipment owned or used by any of the Prospect Medical Parties in connection with the ownership and operation of the Facilities (the "**Personal Property**").

**2.8 Absence of Litigation; Orders.**

(a) Except as set forth on *Schedule 2.8(a)*, there is no, and since the Balance Sheet Date there has not been any claim, demand, citation, action, arbitration, suit, litigation, complaint, proceeding or investigation of any kind whatsoever, at law or in equity (including actions or proceedings seeking injunctive relief), by or before any Governmental Authority ("**Litigation**") pending or, to the Knowledge of Prospect Medical, threatened by or against Prospect Medical or any Subsidiary or affecting any of their respective properties or assets, other than (x) claims made in the Ordinary Course of Business with respect to professional liability which do not seek class status and which are fully insured (subject to any applicable deductibles), (y) claims that do not involve amounts in excess of \$1,000,000 or are otherwise not reasonably expected to be material to Prospect Medical or any of its Subsidiaries and (z) investigations which have not resulted, and would not reasonably be expected to result in, a civil or criminal subpoena, civil investigative demand, or other similar formal initiation of investigation proceedings.

(b) Except as set forth on *Schedule 2.8(b)*, neither Prospect Medical nor any of its Subsidiaries is, and since the Balance Sheet Date has been a party to or subject to, or in violation, default or breach under, any judgment, order, injunction, stipulation, settlement agreement, consent agreement, memorandum of understanding, disciplinary agreement, decree, ruling, writ, assessment or arbitration award of, or entered into by or with any, Governmental Authority ("**Orders**") applicable to Prospect Medical or such Subsidiaries or any of their respective properties or assets, except for such violation, default or breach which would not, individually or in the aggregate, be material to the Prospect Medical Parties and the Other Applicable Subsidiaries.

(c) Except as set forth on *Schedule 2.8(c)*, since the Balance Sheet Date, neither Prospect Medical nor any of its Subsidiaries (i) has received any written notification or, to the Knowledge of Prospect Medical, any other communication from any Governmental Authority asserting that Prospect Medical or any of its Subsidiaries is not in compliance in any material respect with any Order or (ii) entered into or been subject to any material Order.

## 2.9 Taxes.

(a) Each of Prospect Medical and its Subsidiaries has (i) filed or caused to be filed with the appropriate Governmental Authorities all income and other material Tax Returns required to be filed by it and (ii) paid all Taxes due and payable by it to the appropriate Governmental Authority, except to the extent such amounts are being contested in good faith and for which appropriate reserves have been established in accordance with GAAP. All such Tax Returns were correct and complete in all material respects solely in relation to the ultimate Tax liability calculated and reflected on such Tax Returns.

(b) Except as set forth on **Schedule 2.9(b)**, there are no outstanding waivers or agreements regarding the application of the statute of limitations with respect to any material Taxes or material Tax Returns of Prospect Medical or any of its Subsidiaries (other than pursuant to an extension of time to file).

(c) No unresolved federal, state, local or foreign audits or other administrative proceedings have been formally commenced or are pending with regard to any Taxes or Tax Returns of Prospect Medical or any of its Subsidiaries for which Prospect Medical or the Subsidiaries has not made adequate provisions (in accordance with GAAP), and no written or, to the knowledge of Prospect Medical, any other notification has been received by Prospect Medical or any of its Subsidiaries that such an audit or other proceeding has been proposed or, to the knowledge of Prospect Medical, threatened.

(d) The provision for Taxes on the Most Recent Balance Sheet is sufficient for all accrued and unpaid Taxes of Prospect Medical and its Subsidiaries as of the date thereof and will be sufficient for all accrued and unpaid Taxes of Prospect Medical and its Subsidiaries through the end of the applicable Closing Date as adjusted for the passage of time through the end of the applicable Closing Date in accordance with the past custom and practice of Prospect Medical and its Subsidiaries in filing their Tax Returns.

(e) No unresolved written claim has been made by a Governmental Authority with respect to Taxes in a jurisdiction where Prospect Medical or any of its Subsidiaries does not file Tax Returns that Prospect Medical or any of its Subsidiaries is or may be subject to taxation by or required to file Tax Returns in that jurisdiction.

(f) There are no Encumbrances for Taxes (other than Permitted Encumbrances) upon any of the Real Property, the Acquired Assets or the Financed Asset.

(g) Except as set forth on **Schedule 2.21(o)**, neither Prospect Medical nor any of the Prospect Medical Subsidiaries are party to any Tax abatement agreements relating to any of its properties or assets.



## 2.10 Employee Benefit Plans/ERISA.

(a) *Schedule 2.10(a)* sets forth the “**Benefit Plans**” which are defined as (i) each employee benefit plan within the meaning of Section 3(3) of ERISA that is sponsored or maintained by Prospect Medical or any of its Subsidiaries, and (ii) each "multiemployer plan" as defined in Section 3(37) of ERISA to which Prospect Medical or any of its Subsidiaries is obligated to contribute as of the Closing Date or has been so obligated within the preceding six (6) years pursuant to a collective bargaining agreement or participation agreement (a “**Multiemployer Plan**”). There has been no termination or partial termination of any Benefit Plan within the meaning of Section 411(d)(3) of the Code.

(b) Except as disclosed in *Schedule 2.10(b)*, (i) all amounts that are required under the terms of any collective bargaining agreement or participation agreement to be paid as contributions to a Multiemployer Plan on or prior to the Closing Date have been paid; (ii) no accumulated funding deficiency or liquidity shortfall (as those terms are defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to the Multiemployer Plan; (iii) the value of the assets of each Multiemployer Plan exceeds the amount of all benefit liabilities (determined on an ongoing basis using the actuarial assumptions currently in effect for the Multiemployer Plan) of such Multiemployer Plan. The funded status of each Benefit Plan is disclosed on *Schedule 2.10(b)* in a manner consistent with the Accounting Standards Codification 715. None of the Transactions will subject any Prospect Medical Party or any Buyer to any withdrawal liability under Part 1 of Subtitle E of Title IV of ERISA as a "complete withdrawal" (as defined in ERISA Section 4203) or a "partial withdrawal" (as defined in ERISA Section 4205) from any Multiemployer Plan.

(c) Except as set forth on *Schedule 2.10(c)*, the Benefit Plans have been administered in accordance with the applicable provisions of ERISA and the Code, and are in compliance with all other applicable laws and regulations respecting such Benefit Plans. Neither Prospect Medical nor any of its Subsidiaries has any liability for (i) any lien imposed under Section 303(k) of ERISA or Section 430(k) of the Code, or (ii) for any interest payments required under Section 303(j) of ERISA or Section 430(j) of the Code.

(d) Except as set forth on *Schedule 2.10(d)*, neither the execution and delivery of this Agreement and the other Transaction Documents, nor the consummation of the transactions contemplated hereby and thereby, will result (i) in any "parachute payment" as defined in Section 280G of the Code, (ii) any "change in control" or other payment under any Benefit Plan or employment agreement or non-qualified deferred compensation plan or agreement, (iii) entitle any current or former director, officer, employee or consultant of Prospect Medical or any of its Subsidiaries to severance pay, termination pay, unemployment compensation or any other payment or benefit under any Benefit Plan, (iv) accelerate the time of payment or vesting of benefits, or increase the amount of compensation, due to any such director, officer, employee or consultant under any Benefit Plan, (v) trigger any funding obligation under any Benefit Plan, or (vi) impose any restrictions or limitations on the sponsoring employer's rights to administer, amend or terminate any Benefit Plan.

(e) No "reportable event" within the meaning of Section 4043 of ERISA has occurred with respect to any Benefit Plan in the prior three (3) years and with respect to the present Transactions, to the extent such Transaction is a reportable event, with respect to which the reporting requirement has not been waived, Prospect Medical and/or its Subsidiaries have timely provided to the Pension Benefit Guaranty Corporation ("PBGC") the required notice of such reportable event and the time period in which the PBGC has to comment or respond has expired with no response or comment from the PBGC.

## **2.11 Labor Matters.**

(a) Except as set forth on *Schedule 2.11(a)*, neither Prospect Medical nor any of its Subsidiaries is a party to any collective bargaining agreement or similar Contract with any labor organization or other employee representative body (a "Collective Bargaining Agreement").

(b) No grievance, unfair labor practice charge, or arbitration proceeding arising out of or under any Collective Bargaining Agreement, which could reasonably be anticipated to result in liability in excess of One Million and No/100 Dollars (\$1,000,000), is pending.

(c) Since the Look-Back Date, there has not been, nor is there, any pending or, to the Knowledge of Prospect Medical, any threatened (i) material labor dispute between Prospect Medical or any of its Subsidiaries and any labor organization, or any material strike, work slowdown, work stoppage or other similar organized labor activity involving any employee of Prospect Medical or any of its Subsidiaries, which could reasonably be anticipated to result in liability in excess of One Million and No/100 Dollars (\$1,000,000) or (ii) union organizing, or union election activity involving any employee of Prospect Medical or any of its Subsidiaries with respect to their employment by Prospect Medical or any of its Subsidiaries which could reasonably be anticipated to result in liability in excess of One Million and No/100 Dollars (\$1,000,000).

(d) Each of Prospect Medical and its Subsidiaries is, and has been since the Look-Back Date, in compliance in all material respects with all Laws regarding labor, employment and employment practices, and conditions of employment, including occupational safety and health, immigration, discrimination, harassment, wrongful termination, misclassification of employees and independent contractors, and wages and hours, including any bargaining or other obligations under the National Labor Relations Act. Except as set forth on *Schedule 2.8(a)*, there are no complaints, actions, suits, investigations, or other Litigation pending or, to the knowledge of Prospect Medical, threatened against Prospect Medical or any of its Subsidiaries in connection with the employment of any current or former employee or temporary employee or current or former independent contractor that would reasonably be expected to result in material liability to, or have a material impact on, Prospect Medical and its Subsidiaries, taken as a whole.

(e) Each of Prospect Medical and its Subsidiaries has been since the Look-Back Date, and is, in material compliance with the Worker Adjustment and Retraining and Notification Act ("WARN") and similar state Laws and has no material Liabilities pursuant thereto. Each of Prospect Medical and its Subsidiaries have not implemented a "mass layoff" or "plant closing" (as defined in WARN) within the last twelve months preceding the date hereof.

(f) Each of Prospect Medical and its Subsidiaries have been, and is, in compliance and has not violated, the terms of the Immigration Reform and Control Act of 1988, as amended, and all related regulations promulgated thereunder and any other immigration laws, except, in each case, as would not reasonably be expected to result in any material Liability for Prospect Medical and its Subsidiaries. Since the Look-Back Date, each of Prospect Medical and its Subsidiaries have not been warned, fined, or otherwise penalized by any Governmental Authority by reason of its failure to materially comply immigration laws.

**2.12 Contracts and Commitments; Enforceability.** Each of the Material Contracts is the legal, valid and binding obligation of Prospect Medical and/or the applicable Prospect Medical Subsidiaries (and, to the Prospect Medical Parties' Knowledge, of the other parties thereto), enforceable against them (and, to the Prospect Medical Parties' Knowledge, of the other parties thereto), in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity). The Prospect Medical Parties have delivered to the MPT Parties complete and correct copies in all material respects of all of the Material Contracts. Further (i) each Material Contract is in full force and effect, (ii) neither Prospect Medical, nor any of the Prospect Medical Subsidiaries or the Other Applicable Subsidiaries is and, to the Knowledge of the Prospect Medical Parties, no other party to any such agreement is in default under any such agreement, (iii) no party has received any unresolved written notice of any default, offset, counterclaim or defense under any Material Contract, and (iv) to the Prospect Medical Parties' Knowledge, no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by the Prospect Medical Parties or the Other Applicable Subsidiaries under the terms of any Material Contract, in each case except for such matters, defaults or breaches as to which requisite waivers or consents have been obtained and except for such matters, defaults or breaches that would not individually or in the aggregate be material to any Prospect Medical Party.

**2.13 Intentionally Omitted.**

**2.14 Insurance.**

(a) **Schedule 2.14(a)** contains a complete and correct list of all material insurance policies maintained by, on behalf of or for the benefit of Prospect Medical and the Prospect Medical Subsidiaries as of the date hereof (the "**Insurance Policies**"). The Insurance Policies are in full force and effect, no written notice of default or termination has been received in respect thereof and all premiums due thereon have been paid. Neither Prospect Medical nor any Prospect Medical Subsidiaries is in material breach or default, and neither Prospect Medical nor any Prospect Medical Subsidiary has taken any action or failed to take any action which, with notice or the lapse of time, would constitute such a material breach or default, or permit termination or modification, of any of the Insurance Policies.

(b) **Schedule 2.14(b)** sets forth a list of all claims involving a sum of money for a potential loss in excess of \$1,000,000 made by Prospect Medical or any of its Subsidiaries since January 1, 2018 against any insurer in respect of coverage under any insurance policy.

(c) Except as set forth on **Schedule 2.14(c)**, there are no claims involving a sum of money for a potential loss in excess of \$1,000,000 by Prospect Medical or any its Subsidiaries pending under any Insurance Policies (including, without limitation, with respect to the Rhode Island Matter) as to which coverage has been questioned, denied or disputed by the underwriters of such Policies or bonds or in respect of which such underwriters have reserved their rights.

(d) Except as set forth in **Schedule 2.14(d)**, neither Prospect Medical nor any of its Subsidiaries has any self-insurance or co-insurance programs.

### **2.15 Licenses; Reimbursement; Accreditation.**

(a) **Schedule 2.15(a)** contains a complete and accurate list, as of the date hereof, of all material Healthcare Licenses.

(b) Except as set forth in **Schedule 2.15(b)**, Prospect Medical and the Prospect Medical Subsidiaries, and/or the Facilities, as applicable, possess all material Healthcare Licenses, and such material Healthcare Licenses are in full force and effect.

(c) Except as set forth on **Schedule 2.15(c)**, (i) Prospect Medical, the Prospect Medical Subsidiaries, and the Other Applicable Subsidiaries are in compliance, in all material respects, with the requirements of all material Healthcare Licenses, (ii) no suspension or cancellation of any such Healthcare Licenses is pending, or to the Knowledge of the Prospect Medical Parties, threatened, and (iii) neither Prospect Medical nor any of the Prospect Medical Subsidiaries have received any written notice from any Governmental Body with respect to, as applicable, the threatened or pending denial, revocation, termination, or suspension of any of the material Healthcare Licenses.

### **2.16 Healthcare Compliance.**

(a) In each case except as set forth on **Schedule 2.16(a)**, the businesses and operations of Prospect Medical and its Subsidiaries are, and since the Look-Back Date have been, to the Knowledge of Prospect Medical, in compliance in all material respects with all applicable Healthcare Laws. In each case except as set forth in **Schedule 2.16(a)**, there is no material Litigation pending or, to the Knowledge of Prospect Medical, threatened against Prospect Medical or its Subsidiaries, alleging any material failure to comply with Healthcare Laws.

(b) In each case except as set forth in **Schedule 2.16(b)**, since the Look-Back Date, neither Prospect Medical nor any of its Subsidiaries (i) has been assessed a civil monetary penalty under Section 1128A of the Social Security Act, (ii) has been excluded, suspended, debarred from, or convicted of a crime that would reasonably be expected to lead to any such exclusion, suspension or debarment from, participation in any Government Healthcare Program, (iii) has been subject to either mandatory or permissive exclusion from participation in any Government Healthcare Program pursuant to 42 USC § 1320a-7, (iv) has been convicted of, or, to Prospect Medical's Knowledge, charged with, a violation of any Healthcare Law related to fraud, theft, embezzlement, bribe, payoff, kickback or inducement, whether of money, property or services; or (v) listed on the General Services Administration published list of parties excluded from federal procurement programs and non-procurement programs.

(c) In each case except as set forth in *Schedule 2.16(c)*, (i) to the Knowledge of Prospect Medical, all billing practices (including, without limitation, billing, coding, filing and claims practices) of Prospect Medical and its Subsidiaries with respect to all Payment Programs are, and since the Look-Back Date have been, conducted in material compliance with all Healthcare Laws and in material compliance with any applicable policies, procedures, rules and requirements of any such Payment Programs; (ii) to the Knowledge of Prospect Medical, there is not pending or threatened any material recoupment, repayment, or other similar action sought by any Payment Program against Prospect Medical or any of its Subsidiaries not in the Ordinary Course of Business; and (iii) to Prospect Medical's Knowledge, no material fine, penalty or sanction in connection with a Payment Program has been imposed by any Governmental Authority on Prospect Medical or any of its Subsidiaries.

(d) Prospect Medical, the Prospect Medical Subsidiaries, and the Facilities (as applicable) hold all material Healthcare Licenses which are currently necessary to own, lease or otherwise hold and operate their properties and assets and to conduct their respective businesses as currently conducted, and will maintain all such Healthcare Licenses through the Closing Date subject to applicable laws.

(e) All material Contracts between third party payors and Prospect Medical or any of the Prospect Medical Subsidiaries (each, a "**Payor Contract**") were entered into in the Ordinary Course of Business. Prospect Medical and the Prospect Medical Subsidiaries are, to the Knowledge of Prospect Medical, in compliance with all Payor Contracts in all material respects, subject to any disputes with any third party payors being undertaken in the Ordinary Course of Business.

(f) Each of the Facilities, as applicable: (i) is enrolled and is a provider authorized to participate under the Government Programs; (ii) is in compliance in all material respects with all the conditions of participation for the Government Programs, (iii) has received all material approvals or qualifications necessary for capital reimbursement; and (iv) is in compliance in all material respects with 42 C.F.R. §§ 489.20 and 489.24 and their Medicare provider agreements.

**2.17 Transactions with Affiliates.** *Schedule 2.17* sets forth a complete and correct list as of the date hereof of all Contracts requiring annual payments in excess of Five Hundred Thousand Dollars (\$500,000) currently in effect between Prospect Medical or any of the Prospect Medical Subsidiaries, on the one hand, and any Person that is an Affiliate of Prospect Medical or any of the Prospect Medical Subsidiaries, on the other hand, other than Contracts for compensation and benefits received as employees, directors, officers or consultants of Prospect Medical or any of the Prospect Medical Subsidiaries.

**2.18 No Brokers.** Neither Prospect Medical nor any of the Prospect Medical Subsidiaries has entered into any contract, arrangement or understanding with any Person or firm that may result in the obligation of such entity or any of the MPT Parties or their Affiliates to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or consummation of the Transactions.

## **2.19 Patriot Act Compliance.**

(a) To the extent applicable to Prospect Medical or any of its Subsidiaries, each of them has complied in all material respects with the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, which comprises Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**Patriot Act**") and the regulations promulgated thereunder, and the rules and regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**").

(b) Neither Prospect Medical nor any of its Subsidiaries is included on the List of Specially Designated Nationals and Blocked Persons maintained by the OFAC, and neither Prospect Medical nor any of its Subsidiaries is a resident in, or organized or chartered under the laws of, (i) a jurisdiction that has been designated by the U.S. Secretary of the Treasury under Section 311 or 312 of the Patriot Act as warranting special measures due to money laundering concerns or (ii) any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur.

**2.20 Ability to Grant Security Interest.** Subject to the provisions of the Intercreditor Agreement, the applicable Prospect Medical Parties and Other Applicable Subsidiaries, as applicable, may grant the MPT Parties the first priority security interests to the extent contemplated under the Transaction Documents in all of (a) the outstanding shares of capital stock and other equity interests of each of the Prospect Medical Subsidiaries and Other Applicable Subsidiaries and (b) the Licenses (including, without limitation, the Healthcare Licenses); provided, however, it is acknowledged that in the event the MPT Parties seek to exercise remedies in connection with such liens, the transfer of the capital stock and equity interest, and Licenses, may require the parties to undertake change of ownership processes with, provide notices to and seek approvals from Governmental Bodies, as further contemplated and addressed in the Master Lease and Mortgage Loan Agreement.

## **2.21 Title and Condition of the Real Property.**

(a) *EXHIBIT A* sets forth the respective common street addresses of the Real Property with respect to each Facility. At the applicable Closing, (i) the applicable Seller shall convey to the applicable Buyer marketable fee title in the applicable parcel(s) of Real Property comprising Acquired Assets, free and clear of any and all Encumbrances (other than Permitted Encumbrances), and (ii) the Borrower shall grant to the Lender a first priority mortgagee interest in the applicable parcel(s) of Real Property comprising Financed Asset, free and clear of any and all Encumbrances (other than Permitted Encumbrances).

(b) None of the Prospect Medical Parties have received written notice from any Governmental Body or other Person alleging that the location, construction, occupancy, operation, use and sale of the Real Property violates, in any material respect, (i) any applicable Law, order, injunction, or determination of any Governmental Body, or (ii) any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property, including, without limitation, any applicable zoning, or building code, flood disaster law or health and environmental law or regulation.

(c) Except as set forth on *Schedule 2.21(c)*, with regard to the Real Property, none of the Prospect Medical Parties have received written notice from any Person or Governmental Body alleging there are (i) encroachments onto or from adjacent properties; (ii) violations of set-back, building or side lines; (iii) encroachments onto any easements or servitudes located on such Land; (iv) pending or threatened boundary line disputes; (v) portions of such Land located in a flood plain or in an area defined as a wetland under applicable state or federal law; (vi) cemeteries or gravesites located on the Land; or (vii) mine shafts or sinkholes under the Land.

(d) To the Knowledge of the Prospect Medical Parties, (i) the existing water, sewer, gas and electricity lines, storm sewer and other utility systems are adequate to serve the utility needs of the Real Property as currently used, (ii) all of said utilities are installed and operating, and (iii) all installation and connection charges have been paid in full.

(e) None of the Prospect Medical Parties has received any written notice: (i) of any Public Taking with regard to the Land which has not been formally withdrawn, (ii) of any threatened or contemplated Public Taking, (iii) from any public authority of any public improvements that are required to be made and/or which have not heretofore been assessed and (iv) of any pending or threatened special, general or other assessments against or affecting any of the Land. As used herein, "**Public Taking**" shall mean any portion of the Land is subject to condemnation, requisition or other taking by any public authority.

(f) There is no Litigation pending or, to the Knowledge of the Prospect Medical Parties, threatened in writing, against or affecting all or any portion of the Real Property.

(g) The Prospect Medical Parties have not received written notice from any Governmental Body or other Person asserting any facts or conditions which would result in the termination of the current access from the Real Property to any presently existing public highways and/or roads adjoining or situated on the Real Property or to sewer or other utility services to serve the Real Property.

(h) The applicable Seller, Operator Lessee or Borrower owns or holds rights with respect to, parking for the Real Property and each Facility sufficient to satisfy in all material respects all applicable laws, codes, requirements, rules and regulations, and, to the Knowledge of the Prospect Medical Parties, such parking is adequate for the current uses of the Real Property.

(i) There are no written leases, subleases, licenses and other rental agreements (now or hereafter in effect) with annual rental payments in excess of One Million and No/100 Dollars (\$1,000,000.00), if any, that grant or will grant a possessory interest in and to any space in the Real Property or that otherwise assign or convey rights with regard to the Real Property or the Improvements (collectively referred to as the "**Tenant Leases**"). Except as set forth in *Schedule 2.21(i)*, to the Knowledge of the Prospect Medical Parties, there are no purchase contracts, options, rights of first refusal or other written agreements of any kind whereby any Person will have acquired or have the right to acquire any material portion of the Real Property or the Improvements.

(j) Intentionally Omitted.

(k) Intentionally Omitted.

(l) Intentionally Omitted.

(m) **Schedule 2.21(m)** sets forth an accurate and complete list of all leases of real property where any of the Sellers, or Operator Lessees, or Borrower is the Tenant (i) on which Improvements are located, (ii) for parking leases of real property, and (iii) other leases where the annual rent payable by the Prospect Medical Subsidiaries exceeds \$200,000, in each case, that are necessary or materially related the use and current operation of the Improvements (collectively, the “**Collateral Leases**”). Sellers and Borrower have delivered or otherwise made available to the MPT Parties complete, correct and current copies in all material respects, all of the Collateral Leases. Except as set forth on **Schedule 2.21(m)**, (i) the Collateral Leases are freely assignable by the applicable Prospect Medical Parties, to the applicable MPT Parties (or their designated Affiliates), as applicable, and the Prospect Medical Parties may grant a first priority security interest in such Collateral Leases to such MPT Parties, (ii) the Collateral Leases have not been modified amended or assigned by any of the Sellers, Operator Lessees, and/or Borrower and are, or will be at the Closing, legally valid, binding and enforceable against the applicable Sellers, Operator Lessees, and/or Borrower and, to their Knowledge, all other parties thereto, in accordance with their respective terms, except as such enforcement any be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other Laws of general application affecting enforcement of creditors’ rights or by principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity), and are in full force and effect, and (iii) there are no monetary defaults and no material non-monetary defaults by the Sellers, Operator Lessees, and/or Borrower or, to their Knowledge, any other part under any of the Collateral Leases.

(n) The Real Property and the land and improvements subject to the Collateral Leases constitute all the land and improvements necessary for the use and current operation of the Improvements.

(o) Except as set forth on **Schedule 2.21(o)**, no Seller, Operator Lessees, and/or Borrower, as applicable, is a party to any material Tax abatement agreement relating to the Real Property. Except as disclosed on **Schedule 2.21(o)**, there are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax to which the Real Property may be subject following the Closing.

**2.22 Compliance with Environmental Laws.** Except as set forth on **Schedule 2.22**:

(a) with respect to the ownership, operation and/or leasing of the Real Property, no Prospect Medical Party, nor to the Knowledge of the Prospect Medical Parties, any other Person has installed, stored, used, generated, manufactured, treated, handled, refined, produced, processed, or disposed of (or arranged for the disposal of) Hazardous Materials in, on or under the Real Property, except in material compliance with the Environmental Laws;

(b) to the Knowledge of Prospect Medical Parties, there are no leaking underground storage tanks located at, on or under the Real Property or any former underground storage tanks that have not been sealed or otherwise decommissioned in accordance with Environmental Laws, and, to the Knowledge of the Prospect Medical Parties, the Real Property does not contain quantities or concentrations of friable asbestos-containing building material that must be removed or abated under applicable Environmental Law;



(c) no Prospect Medical Party nor, to the Knowledge of the Prospect Medical Parties, any other Person has undertaken any activity on the Real Property which would cause (i) the Real Property to become a hazardous waste treatment, storage or disposal facility within the meaning of, any Environmental Law, or (ii) the discharge (other than to a publicly owned treatment works or municipal waste water treatment plant) of Hazardous Material into any watercourse, body of, surface or subsurface water or wetland, which in the case of clauses (i) and (ii), would require a permit under any Environmental Law;

(d) no investigation, administrative order, Litigation or settlement with respect to any material violation of Environmental Law is outstanding or unresolved or, to the Knowledge of the Prospect Medical Parties, threatened in writing with respect to the Real Property; and

(e) with respect to the ownership, operation, and/or leasing of the Real Property, no written notice that is outstanding or unresolved has been served on any of the Prospect Medical Parties from any Governmental Body claiming any material violation of any Environmental Law, or requiring compliance with any Environmental Law, or demanding material payment or contribution for environmental damage or injury to natural resources.

**2.23 Licenses/Compliance with Laws.** Except as set forth on *Schedule 2.23*, (i) Prospect Medical and each Prospect Medical Subsidiary and Other Applicable Subsidiary possess all material Licenses required under applicable Laws to own, lease and operate its properties and assets and to carry on its business as currently operated, and (ii) there is no Litigation or Order pending or, to the Knowledge of Prospect Medical, threatened regarding the revocation, suspension, cancellation, withdrawing, modification or limitation of any such material License or a declaration of any such License as invalid. Except as set forth on *Schedule 2.23*, each material License is in full force and effect, and Prospect Medical and each such Subsidiary is in compliance in all material respects with such License (and its obligations with respect to such License) and with all Laws and Orders applicable to it or by or to which any of its properties or assets is bound or subject and neither Prospect Medical nor any such Subsidiary has received any written notice alleging material non-compliance.

**2.24 Solvency.** (i) Prospect Medical and its Subsidiaries are now Solvent and will be Solvent immediately after giving effect to the Transactions (including with respect to the TRS Loan and the Special Condition Property), including, without limitation, the distribution (or loaning) of any proceeds received by the Sellers and the Borrower from the Transactions up to Ivy Holdings, Inc. (collectively, the "**Distribution Transactions**"); (ii) no transfer of property is being made and no obligation is being incurred in connection with the Transactions with the intent to hinder, delay, or defraud either present or future creditors of Prospect Medical or its Subsidiaries; and (iii) any and all actions taken, or to be taken, by Prospect Medical and its Subsidiaries, in connection with the Distribution Transactions (A) will be, properly authorized and approved in accordance with the applicable governing documents of Prospect Medical and its Subsidiaries prior to undertaking such Distribution Transactions, and (B) will comply with, after giving effect to the Transactions, including, without limitation, Distribution Transactions, all applicable Laws. Neither Prospect Medical nor any of its Subsidiaries are involved in any proceeding by or against it as a debtor before any Governmental Entity under Title 11 of the United States Bankruptcy Code or any other insolvency or debtors' relief act, whether state, federal or foreign, or for the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official for any part of any Prospect Medical's and any Subsidiary's property.

**3. REPRESENTATIONS AND WARRANTIES OF THE MPT PARTIES.** The MPT Parties hereby jointly and severally make to the Prospect Medical Parties the representations and warranties contained in this Section 3.

**3.1 Organization.** Each of the MPT Parties is a limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware, and each has all requisite limited liability company or limited partnership power and authority to own, operate and lease its properties and to carry on its respective business as currently conducted. Each of the MPT Parties is duly licensed or qualified to do business as a foreign organization under the laws of each jurisdiction in which the character of its properties or in which the transaction of its business makes such qualification necessary. None of the MPT Parties is classified to be taxed as a corporation for U.S. federal, state or local income tax purposes.

**3.2 Authority.** Each of the MPT Parties has all requisite limited liability company or partnership, as applicable, power and authority to execute and deliver this Agreement and each other Transaction Document to which it is a party, and to perform their respective obligations hereunder and thereunder. The execution and delivery of this Agreement and each other Transaction Document to which any of the MPT Parties is a party, the performance by each of the MPT Parties of their respective obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action by the manager, partner and member, as applicable, of each of the MPT Parties and no other action on the part of any of the MPT Parties is necessary to authorize the execution and delivery by the MPT Parties of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the MPT Parties, and, assuming due and valid authorization, execution and delivery hereof by the Prospect Medical Parties, is a valid and binding obligation of each of the MPT Parties, as the case may be, enforceable against each of them in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

**3.3 No Conflict.** The execution and delivery by each of the MPT Parties of this Agreement and each other Transaction Document to which any of the MPT Parties is a party, and the consummation by the MPT Parties of the transactions contemplated hereby and thereby in accordance with their respective terms, do not (a) violate, conflict with or result in a material default (whether after the giving of notice, lapse of time or both) under, or give rise to a right of termination of, any material contract, agreement, permit, license, authorization or obligation to which any of the MPT Parties is a party or by which any of the MPT Parties or any of their respective assets are bound, (b) conflict with, or result in, any violation of any provision of the certificate of formation, limited liability company agreement, limited partnership agreement, or other organizational documents of any of the MPT Parties; (c) violate or result in a violation of, in any material respect, or constitute a material default under (whether after the giving of notice, lapse of time or both), any provision of any law, regulation or rule, or any order of, or any restriction imposed by, any court or other governmental agency applicable to any of the MPT Parties, or (d) require from any of the MPT Parties any notice to, declaration or filing with, consent, or approval of any Governmental Body or other Person.

**3.4 Litigation.** There is no Litigation, action, suit, proceeding, claim, arbitration or investigation pending or, to the actual knowledge of the MPT Parties, threatened in writing against any of the MPT Parties, nor are any of the MPT Parties subject to any outstanding order, writ, judgment, injunction or decree, in either case, which would (a) prevent, hinder or materially delay the consummation of the Transactions or (b) otherwise prevent, hinder or materially delay performance by any of the MPT Parties of any of their material obligations under this Agreement.

**3.5 Brokers.** No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from any of the Prospect Medical Parties in connection with the Transactions based upon arrangements made by or on behalf of any of the MPT Parties or any of their respective Affiliates.

**3.6 Absence of Conduct; Undisclosed Liabilities.** Prior to the date hereof, none of the MPT Parties has engaged in any business, nor do any of them have any liabilities or obligations, other than those related to or incurred in connection with this Agreement or any other Transaction Documents to which any of the MPT Parties is a party, and the transactions contemplated hereby or thereby.

**3.7 Financing.** Each of the MPT Parties affirms that it is not a condition to the Closing or to any of its other obligations under this Agreement or the other Transaction Documents that the MPT Parties or their Affiliates obtain financing for or related to any of the Transactions or the transactions contemplated under this Agreement.

#### **4. PRE-CLOSING COVENANTS.**

**4.1 Conduct of Business Prior to Closing.** Except as expressly provided or permitted herein, as set forth on *Schedule 4.1*, as required by contract in effect on the date hereof or by law, or as consented to in writing by the MPT Parties, during the period commencing on the date of this Agreement and ending at the applicable Closing Date or the earlier termination of this Agreement, each of the Prospect Medical Parties shall act and carry on its business in all material respects in the Ordinary Course of Business. Without limiting the generality of the foregoing, except as expressly provided or permitted herein or as set forth on *Schedule 4.1*, or as required by contract in effect on the date hereof or by law, from and after the date hereof until the applicable Closing Date or the earlier termination of this Agreement, the Prospect Medical Parties shall not, directly or indirectly, do any of the following without the prior written consent of the MPT Parties (which consent shall not be unreasonably withheld, conditioned or delayed):

- (a) split, combine or reclassify any of its capital stock or equity interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, equity interests, or any of its other securities;
- (b) authorize for issuance, issue or sell or agree or commit to issue or sell (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock or equity interests of any class or any other securities or equity equivalents;

(c) pay, make or declare any distribution or dividend by any of the Prospect Medical Parties except for (i) such amounts as are necessary for the equity owners of each of the Prospect Medical Parties to pay and discharge their respective current tax liabilities arising with respect to such equity ownership, and (ii) aggregate distributions by Prospect Medical of up to Five Million and No/100 Dollars (\$5,000,000.00); for the avoidance of doubt, nothing in this Section 4.1(c) shall prohibit any of the Subsidiaries of Prospect Medical from paying, making or declaring any distribution or dividend to any Subsidiary of Prospect Medical or to Prospect Medical);

(d) merge with, enter into a consolidation with or otherwise acquire an interest of the outstanding equity interests in any Person or acquire a substantial portion of the assets or business of any Person (or any division or line of business thereof); or

(e) enter into any executory agreement, commitment or undertaking, whether in writing or otherwise, to do any of the activities prohibited by the foregoing provision, or permit any of its directors, officers, partners, or Person or group of Persons possessing and/or exercising similar authority to authorize the taking of, any action prohibited by the foregoing provisions.

**4.2 Repayment of Indebtedness and Release of Encumbrances.** Except as permitted under the Intercreditor Agreement or the Foothill Intercompany Loan (subject to Section 6.2(h) hereof), at or prior to the initial Closing Date, the Prospect Medical Parties shall cause (i) the repayment or release of all tax liens, and mortgage loans or other borrowings secured by any of the Acquired Assets, Financed Asset, or interests therein, including, without limitation, the JPM Term Loan Debt, and any defeasance or penalty payments thereon, if applicable, and (ii) the release of all Encumbrances (other than Permitted Encumbrances) on any of the Acquired Assets, Financed Asset, or interests therein.

**4.3 Insurance.** The Prospect Medical Parties will keep in full force and effect in all material respects existing Insurance Policies relating to the Acquired Assets and the Financed Asset which are presently in effect, subject to the continuing availability of such insurance coverages on reasonable terms and conditions; provided, however that to the extent the renewal of such Insurance Policies results in any material modifications of the same, the Prospect Medical Parties shall keep the MPT Parties informed of such material modifications; provided further, however, the MPT Parties shall not have any approval right over such material modifications.

**4.4 Consent to Collateral Assignment.** Prior to the applicable Closing, the Sellers and Borrower, as applicable, shall request, in writing, that the counterparties to each applicable Collateral Lease consent to the assignment of such Collateral Lease to Buyers or Lender (or their respective Affiliates), as applicable, such consent to be in form and substance reasonably satisfactory to the MPT Parties.

**4.5 Title and Survey Review.** The MPT Parties shall order title commitments (collectively, the “**Title Commitments**”) from the Title Company, surveys and a zoning reports for the Real Property promptly after the Effective Date (the expenses associated with such commitments, surveys and reports, the “**Title Expenses**”). Subject to Section 6.5, the Prospect Medical Parties shall be responsible for and shall pay and be responsible for all Title Expenses. The MPT Parties shall promptly provide the Prospect Medical Parties with written notice of its objection (an “**Objection**”) to any matters shown in the Title Commitments, surveys or zoning reports (“**Title Matters**”). All Title Matters with respect to which the MPT Parties fail to object to the Prospect Medical Parties in writing thirty (30) days after the MPT Parties’ receipt of the Title Commitments (including legible copies of all listed title exception documents) with respect to matters shown thereon, thirty (30) days after the MPT Parties’ receipt of the survey with respect to matters shown thereon, or thirty (30) days after the MPT Parties’ receipt of the zoning report with respect to matters shown thereon, in each case, shall be deemed included in the definition of Permitted Encumbrances; provided, however, in no event shall tax liens or Encumbrances securing Indebtedness be deemed Permitted Encumbrances, other than the Foothill Intercompany Loan (as herein defined) which shall be subordinated as required pursuant to Section 6.2(h). In the event that the Closing of the Special Condition Property is delayed beyond the applicable period for which the Title Company will remove the survey exception from the applicable Title Commitment, the MPT Parties shall be permitted to obtain an updated survey thereof. If any Encumbrance other than a Permitted Encumbrance not revealed in any Title Commitment or survey is discovered by the MPT Parties or by the Title Company and is added to the Title Commitment by the Title Company (or to any subsequent survey, if applicable) at or prior to the applicable Closing, the MPT Parties shall have until the earlier of (i) ten (10) days after the MPT Parties’ receipt of the updated, revised Title Commitment (or subsequent survey, if applicable) showing such new title exception, together with a legible copy of any such new matter, or (ii) the date of the applicable Closing, to provide the Prospect Medical Parties with an Objection to any such new title exception. The MPT Parties and Prospect Medical Parties shall reasonably cooperate and work together in good faith to resolve each Objection raised by the MPT Parties to the extent same is not a Permitted Encumbrance. Seller shall not under any circumstance be required or obligated to eliminate any Objection or Encumbrance, including without limitation, to bring any action or proceeding, to make any payments or otherwise to incur any expense in order to eliminate any Objection or Encumbrance or to arrange for title insurance insuring against enforcement of same, notwithstanding that Seller may have attempted to do so; provided, however, Seller shall satisfy all Mandatory Objections. If the Prospect Medical Parties do not remove or cure any Encumbrance which is not a Permitted Encumbrance prior to the applicable Closing Date, or if the Title Company is unable to issue at the applicable Closing an owner’s (or lender’s, as the case may be) title insurance policy insuring good and marketable title to any portion of the Real Property free and clear of all Encumbrances other than the Permitted Encumbrances, Prospect Medical shall have the right to adjourn the scheduled the applicable Closing Date, one (1)-time only, for up to thirty (30) days in order to eliminate or endeavor to eliminate such Encumbrance which is not a Permitted Encumbrance, provided, that, once such matters are eliminated, Prospect Medical shall provide the MPT Parties at least five (5) Business Days’ notice before such newly scheduled Closing Date. If despite, and after such thirty (30) day adjournment, the Seller does not remove or cure any Encumbrance which is not a Permitted Encumbrance prior to the applicable Closing Date, or if the Title Company is unable to issue at the applicable Closing an owner’s (or lender’s, as the case may be) title insurance policy insuring good and marketable title to any portion of the Real Property free and clear of all Encumbrances other than the Permitted Encumbrances, then the MPT Parties shall have the right, at the MPT Parties’ option, to terminate this Agreement by written notice to the Prospect Medical Parties with respect to all of the Real Property or the portion of the Real Property affected by such objectionable title matter.

**4.6 Damage or Condemnation of Real Property.** If, prior to the applicable Closing Date, all or any portion of the Real Property relating to any Facility is (i) materially damaged or destroyed by a fire or other casualty event, or (ii) a material portion thereof is taken by, or made subject to, condemnation, eminent domain or other governmental acquisition proceedings (and “material” in this context shall mean the amount of the damage or the value of the taking (in each case, as determined by an independent third party contractor or engineer selected by the applicable Prospect Medical Parties and reasonably approved by the MPT Parties) or the amount of insurance proceeds or condemnation award shall exceed the sum of thirty-five percent (35%) of the applicable Individual Purchase Price or Individual Mortgage Loan Amount for such Real Property) (in either case, an "**Impacted Property**"), the MPT Parties may elect by written notice to the Prospect Medical Parties either (a) to terminate this Agreement with respect to such Impacted Property, in which event, this Agreement shall remain in full force and effect with respect to the other Real Properties, or (b) to close the purchase of the Impacted Property in accordance with this Agreement, in which case, any insurance proceeds or award (net of collection costs) received by the applicable Prospect Medical Parties prior to the Closing shall be assigned to the applicable MPT Party at the applicable Closing to be held and applied in accordance with the Master Leases or the Mortgage Loan Agreement, as applicable.

## **5. ADDITIONAL AGREEMENTS.**

### **5.1 Access to Information.**

(a) From and after the date hereof until the Closing Date or the earlier termination of this Agreement in accordance with the terms provided herein, each of the Prospect Medical Parties shall, and shall cause each of their respective officers, employees and agents to (i) give the MPT Parties and their Representatives reasonable access upon reasonable notice and during normal business hours or other times mutually convenient to the MPT Parties and senior management of the Prospect Medical Parties to the Facilities, properties, key employees, books and records of the Prospect Medical Parties as from time to time may be reasonably requested (provided that MPT Parties and their Representatives shall comply with all applicable Prospect Medical policies and procedures regarding compliance with HIPAA, patient safety, and Facility access), (ii) permit the MPT Parties and their Representatives to make such inspections and to make copies of such books and records as they may reasonably require, and (iii) furnish the MPT Parties and their Representatives with such financial and operating data as the MPT Parties may from time to time reasonably request. Notwithstanding the foregoing, neither Prospect Medical nor any of the Prospect Medical Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would (x) contravene any law, rule, regulation, order, judgment, decree to which the Prospect Medical Parties are subject (including without limitation any Information Privacy and Security Laws) or binding agreement they have entered into prior to the date of this Agreement or (y) would reasonably be expected to violate or result in a loss or impairment of any attorney-client privilege or work product doctrine or similar privilege. The parties hereto will use reasonable efforts to make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply. Any such investigation by the MPT Parties shall not interfere with any of the businesses or operations of the Prospect Medical Parties. Notwithstanding anything to the contrary in this Agreement, neither the MPT Parties nor their Representatives shall have any contact whatsoever with respect to the Prospect Medical Parties or with respect to the transactions contemplated by this Agreement with

any partner, lender, lessor, vendor, customer, supplier, employee or consultant of the Prospect Medical Parties, except in consultation with Prospect Medical and then only with the express prior approval of Prospect Medical, which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary in this Agreement, neither MPT Parties nor their Representatives shall have the right to conduct confirmatory tenant interviews and/or contact any Governmental Body, other than customary inquiries as reasonably necessary in connection with customary zoning diligence, with respect to matters concerning the Real Property, except in consultation with Prospect Medical and then only with the express prior approval of Prospect Medical, which approval shall not be unreasonably withheld, conditioned or delayed. All requests by the MPT Parties for access or information shall be submitted or directed exclusively to an individual or individuals to be designated by Prospect Medical. In the event of the termination of this Agreement for any reason, the MPT Parties shall return or destroy all copies of books and records or other information received in connection with such investigations described in this Section 5.1(a).

(b) The MPT Parties and their Representatives (including their designated engineer, architects, surveyors and/or consultants) may, upon reasonable notice and during normal business hours or other times mutually convenient to the MPT Parties and senior management of the Prospect Medical Parties enter into and upon all or any portion of the Real Property in order to investigate and assess, as reasonably necessary or appropriate, any change to the condition (including the structural and environmental condition) of the Real Property occurring after the date hereof.

(c) The MPT Parties hereby release the Prospect Medical Indemnitees (as defined below) for any liability, damage, loss, cost or expense, including without limitation, reasonable attorneys' fees and actual out-of-pocket expenses and court costs ("**Losses**") incurred by any MPT Parties (or their Affiliates) arising as a result of any such investigation, other than any Losses resulting from the gross negligence or willful misconduct of the Prospect Medical Indemnitees. The MPT Parties shall indemnify, defend and hold harmless the Prospect Medical Parties, their affiliates, and each of their respective shareholders, members, partners, trustees, directors, employees and agents (the "**Prospect Medical Indemnitees**") from and against any and all Losses incurred by any of the Prospect Medical Indemnitees as the result of any such investigation and/or assessment and provided further that, in no event shall the MPT Parties and/or their Representatives undertake any intrusive testing of any kind without the prior written consent of the Prospect Medical Parties and the MPT Parties and their Representatives shall comply with all applicable Prospect Medical policies and procedures regarding compliance with HIPAA, patient safety, and Facility access, and further provided, that the Prospect Medical Parties or their Representatives shall have the right to accompany the MPT Parties during any such access. Each of the Prospect Medical Parties shall reasonably cooperate with the MPT Parties and their Representatives in conducting such investigation, and shall allow the MPT Parties and their Representatives reasonable access to the Real Property, the Facilities of the Prospect Medical Parties, together with permission to conduct such investigation, and shall provide to the MPT Parties and their Representatives all reasonably necessary information maintained by any of the Prospect Medical Parties in connection therewith.

**5.2 Third Party Consents and Regulatory Approvals.** Subject to the terms and conditions of this Agreement, each of the Parties hereto will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under this Agreement and applicable laws and regulations to consummate the Transactions as soon as practicable after the date hereof, including (i) preparing and filing, in consultation with the other party and as promptly as reasonably practicable and advisable after the date hereof, all required documentation to effect all material applications, notices, petitions and filings and to obtain as promptly as reasonably practicable all material consents, clearances, waivers, licenses, orders, registrations, approvals, permits, Tax rulings and authorizations necessary to be obtained from any third party and/or any Governmental Body (including, without limitation, with respect to any material change of control consent or notification requirements to applicable federal and state healthcare regulatory agencies, if required) in order to consummate the Transactions and (ii) taking all reasonable steps as may be necessary, proper or advisable to obtain all such material consents, clearances, waivers, licenses, orders, registrations, approvals, permits, Tax rulings and authorizations and make all required filings with Governmental Bodies.

**5.3 Confidentiality; Press Releases.**

(a) The Parties shall adhere to the terms and conditions of that certain Confidentiality Agreement, dated November 9, 2018, by and between MPT Operating Partnership and Prospect Medical (as amended, modified, supplemented or restated from time to time, the "**Confidentiality Agreement**") and such terms and conditions of the Confidentiality Agreement are hereby incorporated by reference into this Agreement. Notwithstanding any provision therein, the Confidentiality Agreement shall continue in full force and effect pursuant to its terms following Closing or earlier termination of this Agreement.

(b) The Parties hereto will, and will cause each of their Affiliates and Representatives to maintain the confidentiality of this Agreement. The Parties agree that public announcements or press release, if any, with respect to this Agreement or the transactions contemplated hereby shall be mutually approved in advance by the Parties; provided, however, that, notwithstanding any provision hereof or in the Confidentiality Agreement to the contrary, a Party, without the prior consent of the other Parties hereto, may (i) issue or cause publication of any such press release or public announcement to the extent that such party reasonably determines, after consultation with outside legal counsel, such action to be required by law or by the rules of any applicable self-regulatory organization (including, without limitation, federal and state securities laws and the rules and regulations of the NYSE or NASDAQ), in which event such Party will use its commercially reasonable efforts to allow the other Parties hereto reasonable time to comment on such press release or public announcement in advance of its issuance, and (ii) disclose that it has entered into this Agreement and the other Transaction Documents, and may provide and disclose information regarding this Agreement, the Parties to this Agreement and the other Transaction Documents, the Real Property, the Facilities, and the other assets and properties subject hereto and thereto, and such additional information which such party may reasonably deem necessary, to its proposed investors in connection with a public offering or private offering of securities (including, without limitation, the offerings to be conducted by Medical Properties Trust, Inc. in anticipation of the transactions contemplated herein), or any current or prospective lenders with respect to its financing, and to investors, analysts and other parties in connection with earnings calls and other



normal communications with investors, analysts and other parties, or (iii) include any information in a prospectus, prospectus supplement or other offering circular or memorandum in connection with public or private capital raising or other activities undertaken by such party. Notwithstanding the foregoing, nothing in this Section 5.3 shall prohibit any holder of any of Prospect Medical's equity from disclosing the terms of this Agreement or the transactions contemplated hereby to any direct or indirect investor in such holder, in the ordinary course of such holder's business.

**5.4 No Shop; Alternative Proposals.** In consideration of the substantial expenditures of time, effort and expense undertaken by the MPT Parties and their representatives in connection with the due diligence investigation and review of various aspects of the proposed Transactions, during the period of time beginning on the date hereof and ending on October 31, 2019 (the "**Exclusivity Period**"), except for those matters set forth on **Schedule 5.4**, the Prospect Medical Parties will not, and will cause their respective Affiliates, Subsidiaries and Representatives not to, either directly or indirectly: (a) solicit, initiate, knowingly facilitate or knowingly encourage any inquiries or proposals that constitute, or could be expected to lead to, a proposal or offer for a transaction (other than the Transactions) involving the acquisition or financing of the Real Property, whether such transaction takes the form of a sale, merger, recapitalization, consolidation, business combination, transfer (except for any transfer of interests in Prospect Medical that do not trigger a Change of Control (*e.g.* exercise of stock options by option holders), financing or other similar transactions (any of the foregoing being referred to herein as an "**Alternate Proposal**"), (b) engage in negotiations or discussions concerning, or provide any confidential or non-public information to any person or entity relating to, any Alternate Proposal, or (c) enter into, or approve or formally recommend, any agreements or transactions relating to any Alternate Proposal. If any of the Prospect Medical Parties or their respective Affiliates, Subsidiaries, or Representatives receives an Alternate Proposal during the Exclusivity Period, such Alternate Proposal must be promptly and completely disclosed to the MPT Parties. The Prospect Medical Parties and their respective Affiliates, Subsidiaries and Representatives shall immediately cease any discussions or negotiations with all parties that may be ongoing as of the date hereof with respect to any Alternate Proposal.

**5.5 Collateral Assignments.** The Prospect Medical Parties and MPT Parties shall work collaboratively, in good faith, to identify those Collateral Leases that are necessary or otherwise material to the current use and operation of the business as currently conducted at the Real Property, and the Prospect Medical Parties shall use commercially reasonable efforts to provide to the MPT Parties, within sixty (60) days following the Closing Date, collateral assignments of the Prospect Medical Parties' rights under any so identified Collateral Leases, together with written consents from the counterparties to each such applicable Collateral Lease to the collateral assignments, such assignments and consents to be in form and substance reasonably satisfactory to the Parties.

## 5.6 **Further Action.**

(a) Each of the applicable Parties and their respective Affiliates shall execute and deliver each of the Transaction Documents, and shall otherwise use commercially reasonable efforts to take or cause to be taken all appropriate action, do or cause to be done all things necessary, proper or advisable and execute and deliver such other documents and instruments, as may be reasonably required or requested to carry out the provisions of this Agreement and each of the other Transaction Documents and consummate and make effective the transactions contemplated hereby and thereby, but without in any manner limiting such party's specific rights and obligations set forth in this Agreement and the other Transaction Documents.

(b) Following the Effective Date, the Prospect Medical Parties shall reasonably cooperate with the MPT Parties in the MPT Parties efforts to obtain, review and finalize the Title Commitments and Surveys for the Real Property identified on the property listing attached as **EXHIBIT A** and for which the same have not been received or finalized as of the Effective Date.

**5.7 Special Condition Property.** For the period from the initial Closing to the applicable Closing for the Special Condition Property, the Prospect Medical Parties shall not pledge or otherwise encumber (or allow the pledge or encumbrance of) any Special Condition Seller's assets, except as permitted pursuant to the Intercreditor Agreement. In connection with the Closing of the Special Condition Property, Prospect Medical shall cause the Special Condition Sellers to be joined to this Agreement, and the Parties and the Special Condition Sellers shall execute a Joinder Agreement in form to be mutually agreed upon by the Parties (the "**Special Condition Joinder**"), which shall provide, among other things, that the acquisition of the Special Condition Property is subject to the representations, warranties, covenants, conditions and deliveries as set forth in this Agreement and that the Special Condition Property will be joined to Master Lease II at the applicable Closing; provided, that, except for the Fundamental Representations and the Surviving Representations of the Prospect Medical Parties, the Prospect Medical Parties shall not be required to reaffirm or satisfy the representations, warranties, covenants and conditions with respect to the initial Closing under this Agreement.

**5.8 Use of Proceeds.** The Prospect Medical Parties covenant and agree that upon consummation of the initial Closing, the proceeds of the Sales, Mortgage Loan and the TRS Loan shall be used and applied to, among other things, (a) payment in full of the JPM Term Loan Debt, and (b) an aggregate pension contribution of at least Seventy Million and No/100 Dollars (\$70,000,000.00) to fund accumulated benefit obligations under the *Crozer-Keystone Health System Employees' Retirement Plan*, EIN: 61-1778286, PN: 001, such amount to be deposited into escrow at Closing pursuant to the terms of an escrow agreement (in form and substance mutually agreeable to the Parties) (the "**Escrow Agreement**") to be entered into among the Parties and a mutually agreeable escrow agent (the "**Escrow Agent**"), and which Escrow Agreement shall provide that such pension contribution shall be made to such pension plan no later than January 15, 2020.

**5.9 Other Actions by Parties.** Without in any manner limiting any Party's specific rights and obligations set forth in this Agreement and the other Transaction Documents, no party hereto shall take (and shall use commercially reasonable efforts to cause its Affiliates not to take), directly or indirectly, any action that would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede the consummation of the Transactions or the other transactions contemplated by this Agreement.

## 6. CONDITIONS TO OBLIGATION TO CLOSE; DELIVERABLES; CLOSING MATTERS.

**6.1 Conditions to the Obligations of Each Party to Effect the Transactions.** The respective obligations of the Parties to effect the Transactions are subject to the fulfillment or waiver by written consent of the other Parties, where permissible, at or prior to the applicable Closing Date, of each of the following conditions:

(a) No Injunctions, Orders or Restraints; Illegality; Lawsuits. No preliminary or permanent injunction or other order, decree or ruling issued by a court or other Governmental Body of competent jurisdiction, and no statute, rule, regulation or executive order promulgated or enacted by any governmental agency of competent jurisdiction, shall be in effect which would have the effect of (i) making the consummation of the Transactions illegal or (ii) otherwise prohibiting the consummation of the Transactions. Further, there shall not have been instituted in a court of competent jurisdiction by any creditor of Prospect Medical or any of the Prospect Medical Subsidiaries, any Governmental Body, or any other third party, any suit, action, or proceeding to restrain, enjoin, or invalidate the transactions contemplated by this Agreement and the other Transaction Documents; *provided, however,* that if any such suit, action, or proceeding is so instituted, then the Prospect Medical Parties and the MPT Parties shall use their commercially reasonable efforts to defend against the same and to take such other actions as may be necessary or desirable to permit the transactions contemplated by this Agreement and the other Transaction Documents to be consummated.

(b) No Termination. None of the Parties shall have terminated this Agreement in accordance with the provisions of Section 7.1 hereof.

(c) Employment Matters. Samuel S. Lee shall be employed in his current executive position and with his current responsibilities for all of the Prospect Medical Parties and their respective Subsidiaries.

**6.2 Additional Conditions to Obligations of the MPT Parties.** The obligations of the MPT Parties to effect the Transactions are further subject to the satisfaction of the following conditions, any one or more of which may be waived in writing by the MPT Parties at or prior to the applicable Closing Date:

(a) Representations and Warranties. The representations and warranties of the Prospect Medical Parties contained in this Agreement shall be true and correct in all material respects (x) as of the date of this Agreement and (y) as of the Closing Date as though made on the Closing Date, (except to the extent such representations and warranties expressly relate to a specific date or are made as of the date hereof, in which case such representations and warranties shall be true and correct in all material respects as of such date); provided that so long as the representations and warranties in Sections 2.1, 2.2, 2.3, 2.4, and 2.24 are true and correct in all material respects, the closing condition in this Section 6.2(a) shall be deemed satisfied so long as the failure of any other representation or warranty to be so true and correct has not had and would not reasonably be expected to have, individually or in the aggregate, a Prospect Material Adverse Effect.

(b) Performance and Obligations of the Prospect Medical Parties. The Prospect Medical Parties shall have performed or complied in all material respects with all agreements and covenants required by this Agreement and the other Transaction Documents to be performed or complied with by the Prospect Medical Parties on or prior to the Closing Date.

(c) Special Conditions. Solely with respect to the Closing for the Special Condition Property, (i) the Special Conditions shall have been satisfied or waived in writing by the MPT Parties; and (ii) there shall not exist any Major Event of Default under and as defined in the Master Leases.

(d) Officer's Certificates. Each of the MPT Parties shall have received certificates in form and substance reasonably satisfactory to the MPT Parties from each of the Prospect Medical Parties, which is executed and delivered by their respective Chief Executive Officer or Chief Financial Officer (or Persons exercising similar authority), dated as of the Closing Date, (A) stating therein that the conditions set forth in Sections 6.2(a), (b), and (c) have been satisfied in all respects, (B) certifying, with respect to Prospect Medical, as to (1) the Certificate of Incorporation and Bylaws, each as in effect from the date of this Agreement until the Closing Date, and (2) a copy of the votes and authorizing resolutions of the Prospect Medical Board and the requisite shareholders of Prospect Medical authorizing and approving the applicable matters contemplated hereunder and under the other Transaction Documents, (C) certifying with respect to the Prospect Medical Subsidiaries, as applicable, as to (1) such Prospect Medical Subsidiary's articles or certificate of incorporation, bylaws, operating agreements, limited liability company agreements, partnership agreements, and other similar organizational and governing documents, each as in effect from the date of this Agreement until the Closing Date and (2) a copy of the applicable votes and authorizing resolutions of the requisite number of directors, stockholders, members, managers, partners or other Persons exercising similar authority authorizing and approving the applicable matters contemplated hereunder and under the other Transaction Documents, and (D) providing specimen signatures of the officers or authorized agents of each of the Prospect Medical Parties.

(e) Certificates of Existence and Good Standing. The MPT Parties shall have received certificates of existence and good standing of the Prospect Medical Parties dated within twenty (20) days prior to the Closing Date from, as applicable, the State of its incorporation or formation and, to the extent in which the character of its properties or in which the transaction of its business makes such qualification necessary, from the States of California, Connecticut, Rhode Island and the Commonwealth of Pennsylvania.

(f) Third-Party Consents. The Prospect Medical Parties shall have delivered to the MPT Parties written consents or waivers in a form reasonably satisfactory to the MPT Parties of the third parties to those contracts set forth on ***Schedule 6.2(f)***, and all such consents and waivers shall be in full force and effect.

(g) Additional Prospect Medical Parties' Deliverables.

(i) Delivery of Real Property. At the Closing, with respect to the applicable portion of the Real Property: (A) the applicable Seller will convey to the applicable Buyer marketable fee title to the Real Property constituting Acquired Assets, and (B) the Borrower will deliver a first priority mortgage Encumbrance on the Real Property constituting the Financed Asset, in each case, subject only to Permitted Encumbrances.

(ii) Closing Transaction Documents. The applicable Prospect Medical Parties shall have executed and delivered the Master Lease, the Mortgage Loan Documents, and the other Transaction Documents listed and described on the attached EXHIBIT F.

(iii) Payoff Letters. The Prospect Medical Parties shall have delivered or caused to be delivered payoff letters in respect of all Indebtedness of the Prospect Medical Parties to be paid at the initial Closing (including with respect to the Special Condition Property at the initial Closing) pursuant to Section 4.2 and/or Section 4.5, including, without limitation, all JPM Term Loan Debt, and any principal, interest, fees or penalties outstanding or accrued thereunder, in each case, as of the Closing Date (such Indebtedness shall not include any Indebtedness permitted under the Intercreditor Agreement).

(iv) Termination of Intercompany Leases. The Prospect Medical Parties shall have delivered to the MPT Parties fully-executed terminations of the intercompany leases between applicable Sellers and Operating Lessees, as identified on Schedule 6.2(g)(iv).

(v) Title Commitments and Surveys. The MPT Parties shall have received and had the opportunity to review the Title Commitments and Surveys for the Real Property in accordance with Section 4.5 (it being acknowledged that the Real Property shall be delivered in the condition specified in subsection (i) above).

(vi) Closing Statement. The Prospect Medical Parties shall have executed and delivered to the MPT Parties a Closing Statement regarding the transactions contemplated herein, and which in form and substance satisfactory to the Parties (the "**Closing Statement**").

(h) Subordination of Foothill Intercompany Loan. The applicable Prospect Medical Parties shall have executed and delivered (or cause to be executed and delivered) to the MPT Parties either (i) such amendments and subordinations with respect to the Foothill Intercompany Loan, in form and substance satisfactory to the MPT Parties, as necessary (A) to subordinate Prospect Medical Group, Inc.'s right to payment and lien priority thereunder to the rights, interest, and liens of the MPT Parties under the Transaction Documents, and (B) to restrict Prospect Medical Group, Inc.'s right to amend, modify, or increase the Foothill Intercompany Loan or the loan documents relating thereto (other than extensions of the same); or (ii) releases thereof.

(i) Amendment of Assignable Option Agreements. Each of the Assignable Option Agreements shall be amended to remove references to the JPM Term Loan Debt that is being repaid in full at the initial Closing and to amend the subordinating provisions thereof to add reference to the obligations of the Prospect Medical Parties related to the Transactions.

(j) Intercreditor Agreement. The applicable administrative agent or collateral agent for any lenders or other secured parties claiming a lien on the ABL Priority Collateral (as defined in the form Intercreditor Agreement attached hereto as ***EXHIBIT C***), shall have executed and delivered such intercreditor agreement in the form attached with the MPT Parties (the "**Intercreditor Agreement**").

**6.3 Additional Conditions to Obligations of the Prospect Medical Parties**. The obligation of the Prospect Medical Parties to effect the Transactions is further subject to the satisfaction of the following conditions, any one or more of which may be waived in writing by Prospect Medical at or prior to the Closing Date:

(a) Representations and Warranties. Each of the representations and warranties of the MPT Parties contained in this Agreement shall be true and correct in all material respects (i) as of the date of this Agreement and (ii) as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to a specific date or as of the date hereof, in which case such representations and warranties shall be true and correct in all material respects as of such date).

(b) Performance of Obligations of the MPT Parties. Each of the MPT Parties shall have performed or complied in all material respects with all agreements and covenants required by this Agreement and the other Transaction Documents to be performed or complied with by it on or prior to the Closing Date.

(c) Solvency. Prospect Medical, each Prospect Medical Subsidiary and each Other Applicable Subsidiary, is, and after giving effect to the transactions contemplated in this Agreement and the other Transaction Documents, will be, Solvent.

(d) Officer's Certificate. The Prospect Medical Parties shall have received a certificate executed and delivered by the Chief Executive Officer, Chief Financial Officer, or Chief Operating Officer of each of the MPT Parties (or their parent entities), dated as of the Closing Date, stating therein that the conditions set forth in Sections 6.3(a), (b), and (c) have been satisfied and which shall include a copy of the resolutions of the MPT Parties' members, authorizing the transactions contemplated herein, the execution and delivery of all documents required to effectuate such, and designating the officers or managers of the MPT Parties who are authorized to execute and deliver such documents on behalf of the MPT Parties, together with a Certificate of Incumbency with respect to such officers or managers.

(e) Certificates of Existence and Good Standing. The Prospect Medical Parties shall have received certificates of existence and good standing of the MPT Parties dated within twenty (20) days prior to the Closing Date from, as applicable, the State of its incorporation or formation and, to the extent in which the character of its properties or in which the transaction of its business makes such qualification necessary, from the States of California, Connecticut, and Rhode Island and the Commonwealth of Pennsylvania.

(f) Additional MPT Parties' Deliverables.

(i) Purchase Price and Mortgage Loan Amounts. The applicable MPT Parties shall deliver to the applicable Prospect Medical Parties the aggregate Purchase Price and the aggregate Mortgage Loan Amount, all in immediately available funds.

(ii) Closing Transaction Documents. The applicable MPT Parties shall have executed and delivered, as applicable, the Master Lease, the Mortgage Loan Documents, and the other Transaction Documents listed and described on the attached ***EXHIBIT F***.

(iii) Closing Statement. The applicable MPT Parties shall have executed and delivered to the Prospect Medical Parties the Closing Statement.

(g) Intercreditor Agreement. The applicable administrative agent or collateral agent for any lenders or other secured parties claiming a lien on the ABL Senior Collateral (as defined in the form Intercreditor Agreement attached hereto as ***EXHIBIT G***), shall have executed and delivered the Intercreditor Agreement.

**6.4 Closing of Special Condition Property.** At the Closing for the Special Condition Property, the applicable Parties shall execute and deliver (or cause to be executed and delivered) to one another the following:

(i) The Special Condition Joinder.

(ii) All applicable documents (or joinders thereto) as described in Sections 6.2(d) through 6.2(h) and in Section 6.3(d) through 6.3(g) above with respect to the Acquired Assets.

(iii) A joinder and amendment to the applicable Master Lease joining the Special Condition Property and the applicable Sellers and Buyers to the applicable Master Lease.

(iv) Documents and instruments substantially similar to those required by the Title Company and executed by the Prospect Medical Parties at the initial Closing to the extent applicable to the Special Condition Property, and such other documents and instruments reasonably and customarily required by the Title Company.

**6.5 Closing Cost Allocations and Prorations.**

(a) Except as expressly provided in this Section 6.5, each Party shall be responsible for its attorneys' and other professional fees and costs incurred by it in connection with this Agreement and the Transactions.

(b) The Prospect Medical Parties shall be responsible for and shall pay or reimburse to the MPT Parties all of the Title Expenses, the costs and expenses of the Surveys, and the due diligence, inspection, investigation and testing costs of the MPT Parties, the costs of recording the Deeds and the Mortgage, and any other instruments documenting conveyance and/or encumbrance of the Acquired Assets and/or the Financed Asset, as applicable, all other recording and filing fees, all documentary stamps, transfer and all other taxes payable upon recordation of the Deeds and Mortgage, all costs of the MPT Parties incurred in connection with any intercreditor issues which arise in connection with the Transactions contemplated herein, and all reasonable attorneys' fees and other third party expenses of the MPT Parties incurred in connection with the Transactions, other than as set forth in Section 6.5(a) above. Notwithstanding the foregoing, upon request by Prospect Medical, the all of the costs and expenses described in Section 6.5(a) and (b), including reasonable attorney fees, can be added to the Lease Base (as defined in the Master Lease).

## 7. **TERMINATION.**

**7.1 Termination.** This Agreement may be terminated at any time prior to the Closing Date, as follows:

(a) by the mutual written consent of any of MPT Parties and Prospect Medical;

(b) by either Prospect Medical, on the one hand, or the MPT Parties, on the other hand, by written notice to the other if any Governmental Body of competent jurisdiction shall have issued an injunction or taken any other action (which injunction or other action the Parties hereto shall use commercially reasonable efforts to lift) that permanently restrains, enjoins or otherwise prohibits the consummation of the Transaction, and such injunction shall have become final and non-appealable;

(c) by either Prospect Medical, on the one hand, or the MPT Parties, on the other hand, by written notice to the other, if the consummation of the Transactions (other than with respect to the Special Condition Property) shall not have occurred on or before October 31, 2019 (the "**Termination Date**"); provided, however, that the right to terminate the Agreement pursuant to this Section 7.1(c) shall not be available to any party whose failure to comply with any provision of this Agreement has been the cause of, or resulted in, the failure of the Transactions to close on or before such date;

(d) by Prospect Medical, if none of the Prospect Medical Parties are then in material breach of any of the terms of this Agreement, upon written notice to the MPT Parties if there occurs a material breach of any representation, warranty or covenant of any of the MPT Parties contained in this Agreement, such that the conditions set forth in Section 6.1 or Section 6.3 cannot be satisfied or cured prior to the Termination Date; provided, however, subject to Section 7.1(c), that such material breach is either not capable of being cured or has not been cured within thirty (30) days after the giving of notice thereof by Prospect Medical to the MPT Parties;

(e) by any of the MPT Parties, if none of the MPT Parties are then in material breach of any of the terms of this Agreement, upon written notice to Prospect Medical if there occurs a material breach of any representation, warranty or covenant of any of the Prospect Medical Parties contained in this Agreement, such that the conditions set forth in Section 6.1 or Section 6.2 cannot be satisfied or cured prior to the Termination Date; provided, however, subject to Section 7.1(c), that such material breach is not capable of being cured or has not been cured within thirty (30) days after the giving of notice thereof by the MPT Parties to Prospect Medical; or

(f) by any of the MPT Parties pursuant to Section 4.5.



**7.2 Effect of Termination.** In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement shall forthwith become null and void and have no effect, without any liability on the part of the MPT Parties, the Prospect Medical Parties, or any of their respective directors, officers, employees, partners, Affiliates, managers, members or stockholders, and all rights and obligations of any party hereto shall cease, except that the provisions contained in, and the definitions pertaining to, Section 5.3, this Section 7.2, Section 9 and Section 10 shall survive the termination of this Agreement; provided, however, that notwithstanding the foregoing, no party shall be relieved or released from any liabilities or damages arising out of (i) its intentional and knowing material breach by such party of a representation or warranty, or (ii) any breach of a covenant to be performed by such party prior to such termination.

## **8. SURVIVAL: INDEMNIFICATION.**

### **8.1 Survival.**

(a) The representations and warranties of the Prospect Medical Parties set forth in Sections 2.1, 2.2, 2.3, 2.4(a)(i), 2.4(b) and the representations and warranties of the MPT Parties in Sections 3.1, 3.2, and 3.3 (collectively, the “**Fundamental Representations**”) shall survive for a period of twelve (12) months after the applicable Closing. The representations and warranties of the Prospect Medical Parties set forth in Sections 2.4(a)(ii), 2.4(a)(iii) and 2.24 (collectively, the “**Surviving Representations**”) shall survive the applicable Closing for the period of five (5) years after the applicable Closing.

(b) All other representations and warranties of the Parties contained in this Agreement shall terminate as of the Closing.

**8.2 Prospect Medical Parties' Agreement to Indemnify.** Notwithstanding the existence of any insurance or self-insurance provided for in this Agreement, the Mortgage Loan Agreement, or the Master Lease and without regard to the policy limits of any such insurance or self-insurance, and in addition to any other indemnification obligation set forth herein or in any other Transaction Documents, subject to the limitations set forth in this Section 8, from and after the Closing each of the Prospect Medical Parties, jointly and severally, agrees to indemnify, defend and hold harmless each of the MPT Parties, their Affiliates and their respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the “**MPT Indemnified Parties**”) from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, attorneys’ and accountants’ fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) (collectively, “**MPT Party Damages**”) asserted against or incurred by the MPT Indemnified Parties or any of them arising out of or in connection with or resulting from (a) any breach of or misrepresentation associated with any Fundamental Representations of the Prospect Medical Parties, (b) any breach of or misrepresentation associated with any Surviving Representations of the Prospect Medical Parties, or (c) the Rhode Island Matter, including, without limitation, any and all MPT Party Damages resulting from, or arising out of, the Parties entering into the Transactions contemplated under this Agreement and the other Transaction Documents and the performance of the Parties' respective obligations hereunder and thereunder that relate in any way to the Rhode Island Matter, including, without limitation, any claims alleged or asserted by any third party against the MPT Parties involving willful or intentional misconduct, gross negligence, bad faith, fraud, or any other similar claims, and including, without limitation, any and all third party indirect, incidental, consequential, special, exemplary, or punitive damages arising out of or related to any of the foregoing claims alleged or asserted under this Section 8.2(c).

**8.3 MPT Parties' Agreement to Indemnify.** Subject to the limitations set forth in this Section 8, from and after the Closing each of the MPT Parties, jointly and severally, agrees to indemnify, defend and hold harmless the Prospect Medical Parties, and their respective representatives (collectively, the “**Prospect Medical Indemnified Parties**”) from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, reasonable attorneys’ fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by any of Prospect Medical Indemnified Parties or any of them to the extent arising out of or in connection with or resulting from any breach of or misrepresentation associated with any Fundamental Representations of the MPT Parties (collectively, the “**Prospect Medical Party Damages**”).

**8.4 Notification and Defense of Claims.**

(a) If any party is entitled to be indemnified pursuant to Section 8.2 or Section 8.3 (the “**Indemnified Party**”), the Indemnified Party shall notify the party liable for such indemnification (the “**Indemnifying Party**”), in writing, of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, as soon as possible after the Indemnified Party becomes aware of such claim or demand; provided that, the Indemnified Party’s failure to give such notice to the Seller Parties in a timely fashion shall not result in the loss of the Indemnified Party’s rights with respect thereto except to the extent (x) the Indemnifying Party is materially prejudiced by the delay or (y) such notice relates to indemnification for breach of or misrepresentation associated with any Fundamental Representations or Surviving Representations and same is received more than ninety (90) days after the expiration of the survival period specified in Section 8.1.

(b) If the Indemnified Party shall duly and timely notify the Indemnifying Party of any claim or demand pursuant to the provisions hereof, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party (a “**Third Party Claim**”), the Indemnifying Party shall have the obligation either (i) to promptly pay such claim or demand, or (ii) defend any such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. After the Indemnifying Party has assumed the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party under this Section 8.4 for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, provided that the Indemnified Party shall have the right to employ counsel, at the Indemnifying Party’s expense, to represent it if (A) in the Indemnified Party’s reasonable opinion the Indemnifying Party is not diligently prosecuting the defense of such Third Party Claim, (B) such Third Party Claim involves remedies against the Indemnified Party other than monetary damages and such remedies, in the Indemnified Party’s reasonable judgment, could have a material adverse effect on such Indemnified Party, (C) the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more defenses or counterclaims that may be alleged by the Indemnifying Party, or (D) the Indemnified Party believes in its reasonable discretion that a conflict of interest exists between the Indemnifying Party and the Indemnified Party with respect to such Third Party Claim or action, and in any such event the reasonable fees and expenses of such separate counsel for the Indemnified Party shall be paid by the Indemnifying Party.

(c) No Indemnifying Party may, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which includes any admission of wrongdoing or could result in any liability (including regulatory liability) of the Indemnified Party or which would otherwise in any manner affect, restrain or interfere with the business of the Indemnified Party or any of the Indemnified Party's Affiliates.

**8.5 Investigations.** The right to indemnification based upon breaches or inaccuracies of representations, warranties and covenants will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement, whether as a result of disclosure by a party pursuant to this Agreement or otherwise, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty or covenant, unless specifically set forth on the Schedules (as defined in Section 10.2 of this Agreement). The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, will not affect a party's right to indemnification, payment of damages or other remedies based on such representations, warranties and covenants.

**8.6 Limitation of Liability.** Notwithstanding anything herein to the contrary, the maximum liability of the Prospect Medical Parties under this Section 8 shall be an amount equal to the aggregate of the Purchase Price and the Mortgage Loan Amount.

**8.7 Exclusive Remedy.** FROM AND AFTER THE CLOSING, THE PARTIES AGREE AND ACKNOWLEDGE THAT THE INDEMNIFICATION RIGHTS PROVIDED IN THIS SECTION 8 SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE PARTIES TO THIS AGREEMENT FOR BREACHES OF THIS AGREEMENT AND FOR ALL DISPUTES ARISING UNDER OR RELATING TO THIS AGREEMENT AND ANY ADDITIONAL AGREEMENTS OR DOCUMENTS EXECUTED OR DELIVERED IN OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT FOR POST-CLOSING COVENANTS OR CASES WHERE SPECIFIC PERFORMANCE IS AVAILABLE AS A REMEDY. THE PARTIES MAY NOT AVOID THE LIMITATIONS ON LIABILITY, RECOVERY AND RECOURSE SET FORTH IN THIS SECTION 8 BY SEEKING DAMAGES FOR BREACH OF CONTRACT, TORT OR PURSUANT TO ANY OTHER THEORY OR LIABILITY.

## **9. REPRESENTATIVES OF PARTIES.**

**9.1 Prospect Medical Parties.** Each of the Prospect Medical Parties hereby appoints Prospect Medical as their duly authorized agent and representative (the "**Prospect Medical Parties' Representative**") to take all actions and enforce all rights of the Prospect Medical Parties under this Agreement, including, without limitation, (i) giving and receiving any notice or instruction permitted or required under this Agreement; (ii) interpreting all of the terms and provisions of this Agreement; (iii) authorizing payments or obtaining reimbursement as may be provided for herein; (iv) consenting to, compromising or settling all disputes with the MPT Parties under this Agreement; (v) conducting negotiations and dealing with the MPT Parties under this Agreement; and (vi) taking any other actions on behalf of the Prospect Medical Parties relating to the Prospect Medical Parties' rights, claims, duties and obligations under this Agreement. In the performance of the MPT Parties' respective duties and obligations hereunder, the MPT Parties shall be authorized and permitted to correspond and transact with Prospect Medical Parties' Representative on behalf of all the Prospect Medical Parties and shall be entitled to rely upon any document or instrument executed and delivered by the Prospect Medical Parties' Representative.

**9.2 MPT Parties.** The MPT Parties hereby appoint MPT of Springfield PMH, LLC as their duly authorized agent and representative (the "**MPT Representative**") to take all actions and enforce all rights of the MPT Parties under this Agreement, including, without limitation, (i) giving and receiving any notice or instruction permitted or required under this Agreement; (ii) interpreting all of the terms and provisions of this Agreement; (iii) authorizing payments or obtaining reimbursement as may be provided for herein; (iv) consenting to, compromising or settling all disputes with the Prospect Medical Parties under this Agreement; (v) conducting negotiations and dealing with the Prospect Medical Parties under this Agreement; and (vi) taking any other actions on behalf of the MPT Parties relating to the MPT Parties' rights, claims, duties and obligations under this Agreement. In the performance of the Prospect Medical Parties' respective duties and obligations hereunder, the Prospect Medical Parties shall be authorized and permitted to correspond and transact with the MPT Representative on behalf of all the MPT Parties and shall be entitled to rely upon any document or instrument executed and delivered by the MPT Representative.

## **10. GENERAL PROVISIONS.**

**10.1 Notices.** All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given or delivered (a) when personally delivered, (b) transmitted via telecopy (or other facsimile device) to the number set forth below if the sender on the same day sends a conforming copy of such notice by recognized overnight delivery service (charges prepaid), (c) when delivered via Electronic Transmission to the email address set forth below if the sender on the same day sends a conforming copy of such notice by recognized overnight delivery service (charges prepaid), (d) the day following the day (except if not a Business Day then the next Business Day) on which the same has been delivered prepaid to a reputable national overnight air courier service or (e) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective parties, shall be sent to the applicable address set forth below, unless another address has been previously specified in writing:

if to the Prospect  
Medical Parties: c/o Prospect Medical Holdings, Inc.  
3415 South Sepulveda Blvd, 9th Floor  
Los Angeles California 90034  
Attn: Eric Samuels  
Email: [Eric.Samuels@prospectmedical.com](mailto:Eric.Samuels@prospectmedical.com)

with a copy to: Ropes & Gray LLP  
800 Boylston Street, Prudential Tower  
Boston, MA 02199  
Attn: Walter McCabe  
Email: [Walter.McCabe@ropesgray.com](mailto:Walter.McCabe@ropesgray.com)

if to the MPT  
Parties: c/o MPT Operating Partnership, L.P.  
1000 Urban Center Drive, Suite 501  
Birmingham, Alabama 35242  
Attn: Legal Department  
Email: [Legal@medicalpropertiestrust.com](mailto:Legal@medicalpropertiestrust.com)  
Fax: (205) 969-3756

with a copy to: Baker, Donelson, Bearman, Caldwell & Berkowitz, PC  
420 20th Street North, Suite 1400  
Birmingham, Alabama 35203  
Attn: Thomas O. Kolb, Esq.  
Email: [TKolb@bakerdonelson.com](mailto:TKolb@bakerdonelson.com)  
Fax: (205) 322-8007

or to such other address as either party may hereafter designate in writing, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received (i) if delivered in person or by a recognized delivery service, when left at the address of the recipient, (ii) if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number, and (iii) if sent by Electronic Transmission when sent to the recipient's email address, if the sender on the same day sends a conforming copy of such notice by recognized overnight delivery service (charges prepaid); provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day (based upon Birmingham, Alabama time), such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. (based upon Birmingham, Alabama time) on the first Business Day thereafter.

**10.2 Disclosure Schedules.** Certain information set forth in the schedules to this Agreement (as may be amended from time to time by a Schedule Supplement, the "**Schedules**") is included solely for informational purposes and may not be required to be disclosed pursuant to this Agreement. The disclosure of any information shall not be deemed to constitute an acknowledgment that such information is required to be disclosed in connection with the representations and warranties made by the MPT Parties or the Prospect Medical Parties, as applicable, in this Agreement or that such information is material, nor shall such information be deemed to establish a standard of materiality, nor shall it be deemed an admission of any liability of, or concession as to any defense available to, MPT Parties or the Prospect Medical Parties, or their respective Affiliates, as applicable. Any information set forth in one section of the Schedule will be deemed to apply to other sections of the Schedules to which its relevance is reasonably inferable and/or apparent from the face of such disclosure (notwithstanding the omission of a reference or cross-reference thereto); *provided, that*, the Parties shall use good faith efforts to include a clear reference or cross-reference to such relevant information contained in other Schedules. From the date of this Agreement until the Closing Date, the Prospect Medical Parties shall have the right to amend and/or supplement the Schedules to reflect (a)(i) any deficiencies or inaccuracies in such Schedule arising out of circumstances or matters occurred or existed at or prior to the date hereof, and (ii) any deficiencies or inaccuracies in such Schedule arising out of circumstances or matters which first occurred or arose after the date of hereof, where such deficiency or inaccuracy would cause a failure of any condition set forth in Section 6.1 or Section 6.2, and (b) any other matter that, if existing or occurring at or prior to the date hereof, would have been required to be set forth or described on such a Schedule or that is necessary to complete or correct any information in any representation or warranty contained in any of such Schedules (any such amendment or supplement, a "**Schedule Supplement**"); *provided, that*, unless otherwise expressly agreed to in writing by the MPT Parties, no additions, changes, or disclosures contained in any Schedule Supplement shall be deemed to cure any breach or inaccuracy of a representation or warranty, covenant or agreement or to satisfy any condition or be considered for purposes of establishing whether or not the closing conditions set forth in Section 6.1 or Section 6.2 have been satisfied.

**10.3 Assignment.** This Agreement is not assignable by any party without the prior written consent of the other parties. Notwithstanding the foregoing, the MPT Parties may at any time and without the consent of the Prospect Medical Parties assign all of the MPT Parties' rights and obligations hereunder to any Affiliate of the MPT Parties; provided, however, any such assignment does not result in any additional consents or any material delay of the applicable Closing; provided further, however, that no such assignment shall relieve or release the MPT Parties from their obligations hereunder. Notwithstanding anything to the contrary herein, the MPT Parties may not assign or otherwise transfer all or any portion of the MPT Parties' rights and obligations under this Agreement to any Affiliate of the MPT Parties that is owned, in whole or in part, by a Non-Permissible Assignee, except to the extent that any such assignment or transfer would be permitted under the other Transaction Documents.

**10.4 Severability.** The Parties agree that each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement or any application of this Agreement (as to any Party or otherwise) is held to be prohibited by or invalid under applicable law, such provision or application shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or any other applications of this Agreement.

**10.5 Interpretation.** The definitions set forth in *Annex A* and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless otherwise indicated, the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The words “herein”, “hereof” and “hereunder” and words of similar import shall be deemed to refer to this Agreement (including the Schedules and Exhibits) in its entirety and not to any part hereof, unless the context shall otherwise require. All references herein to Articles, Sections, Schedules and Exhibits shall be deemed to refer to Articles, Sections and Schedules of, and Exhibits to, this Agreement, unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes or regulations). Any reference in this Agreement to a “day” or number of “days” that does not refer explicitly to a “Business Day” or “Business Days” shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day. The table of contents and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

**10.6 Fees and Expenses.** If the Transactions are not consummated for any reason other than as a result of the Prospect Medical Parties' failure to satisfy a material condition or breach of a material covenant or obligation under this Agreement, each of the MPT Parties, on the one hand, and the Prospect Medical Parties, on the other hand, shall bear its own expenses in connection with the negotiation and the consummation of the transactions contemplated by this Agreement and each other Transaction Document. If the Transactions are not consummated because or as a result of the Prospect Medical Parties' failure to comply with any provision of this Agreement, then all fees and expenses of the parties shall be paid by the Prospect Medical Parties in accordance with Section 6.5 hereof. Notwithstanding anything herein to the contrary, and in addition to the other provisions of this Agreement, if the Prospect Medical Parties, on the one hand, or the MPT Parties, on the other hand, brings any action, suit or other legal action or proceeding to enforce or establish any right of such party under this Agreement, the party prevailing in such action, suit or proceeding shall be entitled to recover all reasonable and documented out-of-pocket costs and expenses incurred by the prevailing party in connection therewith, including, without limitation, court costs and documented out-of-pocket attorneys' fees.

**10.7 Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PRINCIPLES.

**10.8 Jurisdiction and Venue.** EACH OF THE PARTIES CONSENTS TO PERSONAL JURISDICTION IN THE STATE OF DELAWARE. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 10.8, EACH OF THE PARTIES AGREES THAT ANY ACTION OR PROCEEDING ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF DELAWARE. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. EACH OF THE PARTIES EXPRESSLY ACKNOWLEDGES THAT NEW YORK IS A FAIR, JUST AND REASONABLE FORUM AND AGREES NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY THE OTHER PARTIES IN SAID COURTS. FURTHER, EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY CERTIFIED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 10.1 SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN ANY OTHER COURT TO WHOSE JURISDICTION ANY OF THE PARTIES IS OR MAY BE SUBJECT. NOTWITHSTANDING THE FOREGOING, EACH OF THE PARTIES HEREBY AGREES THAT IT WILL NOT BRING OR SUPPORT ANY ACTION, CAUSE OF ACTION, CLAIM, CROSS-CLAIM OR THIRD-PARTY CLAIM OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR IN EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST ANY FINANCING SOURCE, OR ANY OF ITS REPRESENTATIVES, IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS, INCLUDING ANY DISPUTE ARISING OUT OF OR RELATING IN ANY WAY TO THE FINANCING OR THE PERFORMANCE THEREOF, IN ANY FORUM OTHER THAN THE SUPREME COURT OF THE STATE OF NEW YORK, NEW YORK COUNTY, OR, IF UNDER APPLICABLE LAW EXCLUSIVE JURISDICTION IS VESTED IN THE FEDERAL COURTS, THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, LOCATED IN THE BOROUGH OF MANHATTAN (AND APPELLATE COURTS THEREOF), AND THAT THE PROVISIONS OF SECTION 10.9 RELATING TO THE WAIVER OF JURY TRIAL SHALL APPLY TO ANY SUCH ACTION, CAUSE OF ACTION, CLAIM, CROSS-CLAIM OR THIRD-PARTY CLAIM.

**10.9 Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT ANY SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY IN CONNECTION WITH THIS AGREEMENT OR SUCH AGREEMENTS.



## **10.10 Specific Performance and Remedies.**

(a) The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by them in accordance with the terms hereof or were otherwise breached and that each party hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the provisions of this Agreement (without any requirement to post any bond or other security in connection with seeking such relief or to prove damages), or any other remedy at law or equity, exclusively in accordance with Section 10.8 hereof. The Parties hereto agree not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches of this Agreement by the Prospect Medical Parties, on the one hand, and to prevent or restrain breaches of this Agreement by the MPT Parties, on the other hand, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the Parties under this Agreement. Each of the Parties hereto hereby irrevocably submits with regard to any such action or proceeding relating to this Section 10.10, for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Section 10.10 in any court other than the aforesaid courts. For purposes of this Section 10.10, each of the Parties hereto hereby consents to service of process in accordance with the terms of Section 10.8 of this Agreement.

(b) If the Closing shall not have occurred because of a breach by any of the Parties of their respective obligations under this Agreement and all of the conditions to such Parties' obligations as set forth in Section 6 have either been satisfied or previously waived (or would have been satisfied or are capable of being satisfied but for such breach of such Parties' respective obligations under this Agreement), then the non-breaching Parties shall have the right to a court order specifically enforcing the provisions of this Agreement to which such breach applies and, in any event, to specifically force the Closing to occur. If any of the non-breaching Parties brings any action to enforce specifically the performance of the terms and provisions of this Agreement by the breaching Parties, the Termination Date shall automatically be extended by (x) the amount of time during which such action is pending, plus twenty (20) Business Days or (y) such other time period established by the Delaware court presiding over such action.

(c) In no event shall either party be entitled to both specific performance and damages. Neither party shall be entitled to special, punitive or consequential damages.

**10.11 Entire Agreement; Modification.** This Agreement, together with all exhibits, schedules and the other documents referred to herein, embody and constitute the entire understanding between the Parties with respect to the transactions contemplated herein (other than the Confidentiality Agreement), and all prior agreements, understandings, representations and statements (oral or written) are merged into this Agreement. The Parties have not relied upon, and shall not be entitled to rely upon, any prior or contemporaneous agreements, understandings, representations or statements (oral or written) other than this Agreement in effecting the transactions contemplated herein or otherwise. Neither this Agreement, any exhibit or schedule attached hereto, nor any provision hereof or thereof may be modified or amended except by an instrument in writing signed by the Parties; provided that, notwithstanding anything to the contrary in this Agreement, Sections 10.7, 10.8, 10.9, 10.11, 10.15 and 10.17 and the definitions of "Financing Sources", "Financing" and "Non-Recourse Party" (such sections and definitions, collectively, the "Financing Source Protection Provisions"), solely to the extent applicable to the Financing Sources, cannot be amended, waived or otherwise modified in a manner materially adverse to the Financing Sources, without the written consent of the Financing Sources.

**10.12 Extension; Waiver.** At any time prior to the Closing Date, the parties hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto and (c) waive compliance by the other party with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of the party against which such waiver or extension is to be enforced. Waiver of any term or condition of this Agreement by a party shall not be construed as a waiver of any subsequent breach or waiver of the same term or condition by such party, or a waiver of any other term or condition of this Agreement by such party.

**10.13 Joint Drafting.** The Parties hereto and their respective counsel have participated in the drafting and redrafting of this Agreement and the general rules of construction which would construe any provisions of this Agreement in favor of or to the advantage of one Party as opposed to the other Parties as a result of one Party drafting this Agreement as opposed to the other Parties or in resolving any conflict or ambiguity in favor of one Party as opposed to the other Parties on the basis of which Party drafted this Agreement are hereby expressly waived by all Parties to this Agreement.

**10.14 Counterparts.** This Agreement may be executed in any number of counterparts and via facsimile or other electronic means, each of which shall be an original, but all of which together shall constitute one and the same instrument.

**10.15 Binding Effect; No Third Party Beneficiaries.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and, except as expressly set forth herein, is not intended to confer upon any other Person (other than a Non-Recourse Party with respect to Section 10.17 hereof) any rights or remedies hereunder; provided that, notwithstanding anything to the contrary in this Agreement, the Financing Sources shall be third party beneficiaries of, and shall have the right to enforce their rights and remedies under, the Financing Source Protection Provisions.

**10.16 Exhibits within Exhibits.** All exhibits or schedules referenced within any of the Exhibits attached hereto, which are not otherwise attached in an agreed upon form to such Exhibit, shall be mutually agreed to by the parties.

**10.17 No Recourse.** Notwithstanding anything that may be expressed or implied in this Agreement, or in any document or instrument delivered in connection herewith, each of the Parties, by its acceptance, directly or indirectly, of the benefits of this Agreement, expressly covenants, acknowledges and agrees that (a) no Person other than the Parties hereto shall have any obligation hereunder (and with respect thereto, only to the extent expressly provided herein) and that no recourse hereunder shall be had against, and no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by (i) any of the Parties' former, current and future direct or indirect equity holders, controlling persons, directors, officers, employees, agents, Affiliates, advisors, members, managers, general or limited partners, assignees, or representatives, (ii) any Financing Sources, or (iii) any former, current or future direct or indirect equity holders, controlling persons, directors, officers, employees, agents, Affiliates, advisors, members, managers, general or limited partners or assignees, or representatives of any of the foregoing (each

of the foregoing referred to in clause (i), (ii) or (iii) above being referred to as a “**Non-Recourse Party**”), for any obligations of the Parties under this Agreement, or for any claim (whether in tort, contract or otherwise) based on, in respect of, or by reason of any such obligations or their creation or the Transactions, through any of the Parties or otherwise, whether by or through attempted piercing of the corporate veil, by or through a claim by or on behalf of any of the Parties hereto against any of the other Parties or any Non-Recourse Party, by the enforcement of any judgment or assessment or by any legal or equitable proceeding, by virtue of any law, statute, or regulation, or otherwise, and (b) in no event shall any Prospect Medical Party or any other Person shall have any right to, nor shall any MPT Party or any of its Representatives have any obligation to, enforce specifically or otherwise seek specific performance of the commitment letter referred to in the definition of “Financing” or any other agreements with any Financing Source relating to the Financing. Each of the Parties hereby covenants and agrees that it shall not institute, and shall cause each of its Affiliates and its equity holders and representatives not to attempt to assign or institute, directly or indirectly, any claim, suit or proceeding or bring, or attempt to assign, any other claim arising under, or in connection with, this Agreement or the Transactions against any Non-Recourse Party. Notwithstanding the foregoing, nothing in this Section 10.17 shall in any way limit or modify any Financing Source’s obligations to MPT Operating Partnership, Medical Properties Trust, Inc. or any MPT Party, as applicable, pursuant to any written agreement between such Financing Source, on the one hand, and MPT Operating Partnership, Medical Properties Trust, Inc. or such MPT Party, as applicable, on the other hand, with respect to the Financing.

**10.18 Electronically Transmitted Signatures.** In order to expedite the execution of this Agreement, telecopied signatures or signatures sent by electronic mail may be used in the place of original signatures on this Agreement. The Parties intend to be bound by the signatures of the telecopied or electronically mailed signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of the signature. Following any facsimile or electronic mail transmittal, the Party shall promptly deliver the original instrument by reputable overnight courier in accordance with the notice provisions of this Agreement.

**10.19 Necessary Actions.** Each Party shall perform any further acts and execute and delivery any documents that may be reasonably necessary to carry out the provisions of this Agreement.

*[Remainder of this page intentionally blank; Signature pages follow.]*

**IN WITNESS WHEREOF**, the undersigned Parties have executed or caused to be executed this Agreement as of the Effective Date.

**PROSPECT MEDICAL HOLDINGS, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Chairman and Chief Executive Officer

Signature Page 1 of 13  
Real Property Asset Purchase Agreement

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**ALTA LOS ANGELES HOSPITALS, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: President

Signature Page 2 of 13  
Real Property Asset Purchase Agreement

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**SOUTHERN CALIFORNIA HEALTHCARE SYSTEM, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: President

Signature Page 3 of 13  
Real Property Asset Purchase Agreement

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**ALTA NEWPORT HOSPITAL, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: President

Signature Page 4 of 13  
Real Property Asset Purchase Agreement

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**PROSPECT MANCHESTER HOSPITAL, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

Signature Page 5 of 13  
Real Property Asset Purchase Agreement

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**PROSPECT ROCKVILLE HOSPITAL, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

Signature Page 6 of 13  
Real Property Asset Purchase Agreement

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**PROSPECT WATERBURY, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

**PROSPECT CROZER, LLC**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

Signature Page 8 of 13  
Real Property Asset Purchase Agreement

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**PROSPECT ECHN, INC.**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

Signature Page 9 of 13  
Real Property Asset Purchase Agreement

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**PROSPECT CCMC, LLC**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

Signature Page 10 of 13  
Real Property Asset Purchase Agreement

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**PROSPECT DCMH, LLC**

By: /s/ Samuel S. Lee  
Name: Samuel S. Lee  
Title: Senior Vice President

Signature Page 11 of 13  
Real Property Asset Purchase Agreement

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**MPT PARTIES:**

**MPT OF UPPER DARBY PMH, LLC**

**MPT OF MANCHESTER PMH, LLC**

**MPT OF ROCKVILLE PHM, LLC**

**MPT OF SPRINGFIELD PMH, LLC**

**MPT OF RIDLEY PARK PMH, LLC**

**MPT OF UPLAND PMH, LLC**

**MPT OF WATERBURY PMH, LLC**

**MPT OF NORTH PROVIDENCE PMH, LLC**

**MPT OF PROVIDENCE PMH, LLC**

By: MPT Operating Partnership, L.P.  
Its: Sole Member of each above-referenced entity

By: /s/ R. Steven Hamner  
Name: R. Steven Hamner  
Its: Executive Vice President & CFO

**MPT OF VAN NUYS PMH, L.P.**

By: MPT of Van Nuys PMH GP, LLC  
Its: General Partner

**MPT OF HOLLYWOOD PMH, L.P.**

By: MPT of Hollywood PMH GP, LLC  
Its: General Partner

**MPT OF LOS ANGELES PMH, L.P.**

By: MPT of Los Angeles PMH GP, LLC  
Its: General Partner

**MPT OF CULVER CITY PMH, L.P.**

By: MPT of Culver City PMH GP, LLC  
Its: General Partner

**MPT OF BELLFLOWER PMH, L.P.**

By: MPT of Bellflower PMH GP, LLC  
Its: General Partner

**MPT OF NORWALK PMH, L.P.**

By: MPT of Norwalk PMH GP, LLC  
Its: General Partner

**MPT OF TUSTIN PMH, L.P.**

By: MPT of Tustin PMH GP, LLC  
Its: General Partner

By: MPT Operating Partnership, L.P.  
Its: Sole Member of each above-referenced General Partner entity

By: /s/ R. Steven Hamner

Name: R. Steven Hamner

Its: Executive Vice President & CFO

**MPT TRS LENDER PMH, LLC**

By: MPT Development Services, Inc.  
Its: Sole Member

By: /s/ R. Steven Hamner

Name: R. Steven Hamner

Its: Executive Vice President & CFO



**LIST OF ANNEX AND EXHIBITS**

Annex A	Defined Terms
Exhibit A	Addresses
Exhibit B	Master Lease I
Exhibit C	Riders and Inserts for Master Lease II
Exhibit D	Mortgage Loan Agreement
Exhibit E	TRS Note
Exhibit F	List of Transaction Documents for Closing
Exhibit G	Intercreditor Agreement
Exhibit H	Promissory Note
Exhibit I	Form of Mortgage
Exhibit J	Guaranty
Exhibit K	Security Agreement
Exhibit L	Pledge Agreement
Exhibit M	Noncompetition Agreement
Exhibit N	Environmental Indemnification Agreement
Exhibit O	Assignment of Rents and Leases
Exhibit P	Collateral Assignment

List of Annex and Exhibits

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## List of Annex and Exhibits

**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 quarterly report on Form 10-Q 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(s) 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(s) 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: November 12, 2019

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

Chairman, President and Chief Executive Officer

**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 quarterly report on Form 10-Q 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(s) 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(s) 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: November 12, 2019

/s/ R. Steven Hamner

R. Steven Hamner

Executive Vice President and Chief Financial Officer

**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 quarterly report on Form 10-Q 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(s) 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(s) 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: November 12, 2019

/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.

**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 quarterly report on Form 10-Q 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(s) 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(s) 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: November 12, 2019

/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.

**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 quarterly report on Form 10-Q of Medical Properties Trust, Inc. (the "Company") for the quarter ended September 30, 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: November 12, 2019

/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

**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 quarterly report on Form 10-Q of MPT Operating Partnership, L.P. (the "Company") for the quarter ended September 30, 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: November 12, 2019

/s/ Edward K. Aldag, Jr.

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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

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R. Steven Hamner

Executive Vice President and Chief Financial Officer of the sole member of the general partner of MPT Operating Partnership, L.P.