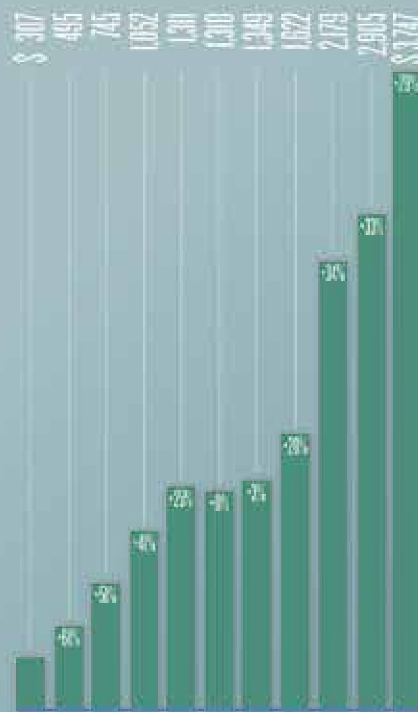
AT THE VERY HEART OF HEALTHCARE.

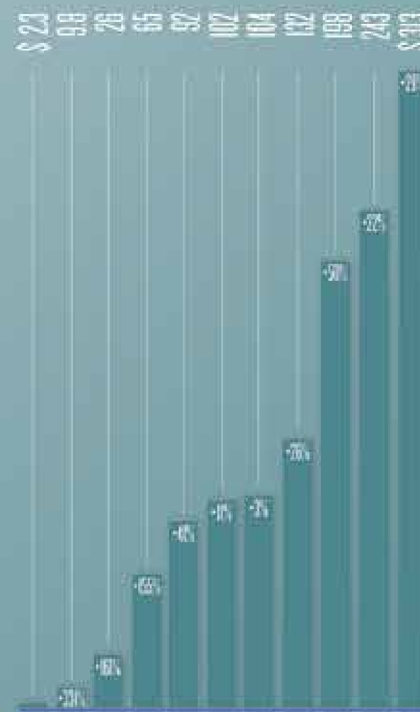
MEDICAL PROPERTIES TRUST
2014 ANNUAL REPORT

A YEAR OF VIBRANT GROWTH

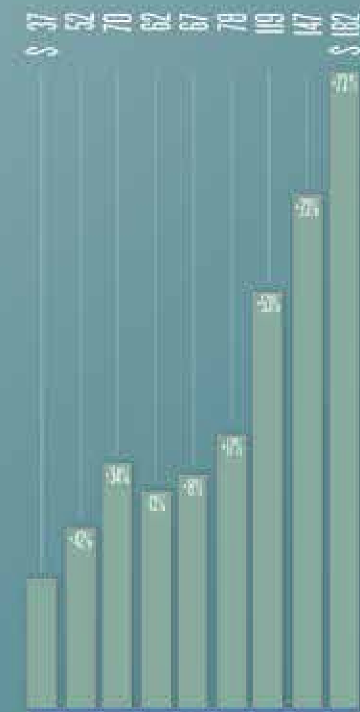
($ IN MILLIONS)



TOTAL ASSETS
(2004 -2014)



TOTAL REVENUE
(2004 -2014)



NORMALIZED FUNDS FROM OPERATIONS
(2006 -2014)

2014 SNAPSHOT:

NYSE:MPW 172 PROPERTIES 3 COUNTRIES 27 STATES
TOTAL ASSETS: $3.7 BILLION TOTAL REVENUE: $313 MILLION
NORMALIZED FUNDS FROM OPERATIONS: $182 MILLION
S&P CORPORATE BONDS RATING : BBB- (INVESTMENT GRADE)

They work late. They work early. They work out and come back to the office in gym clothes to work some more.

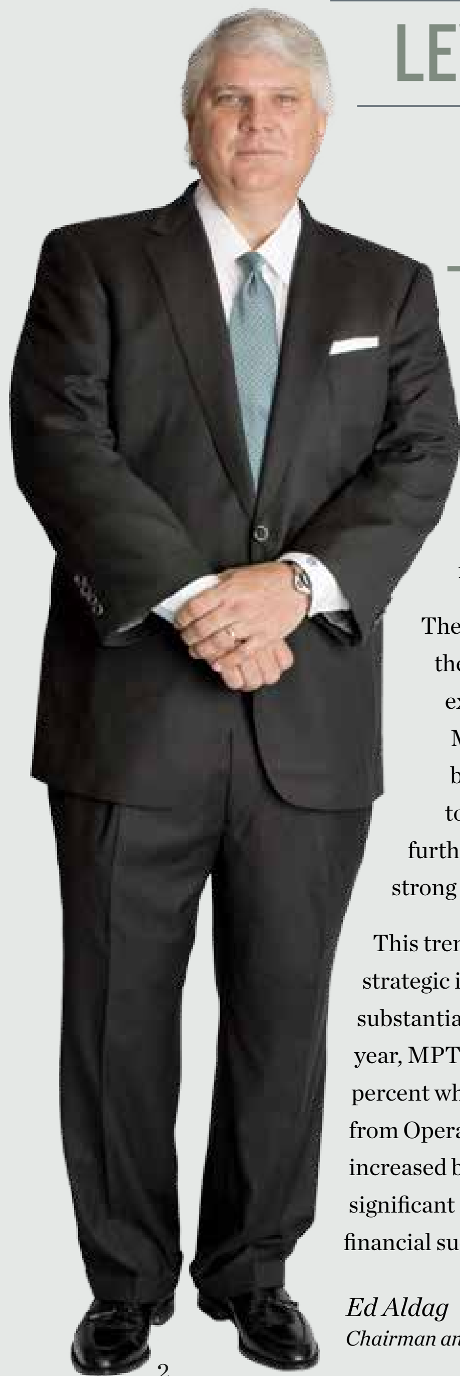
They get on planes at almost a moment's notice and fly to Europe or California or anywhere in between to check things out face to face and make sure absolutely everything is right about a property and an operator before investing shareholders' money.

They are boots on the ground and pleasant voices on the phone and "*I'll-be-glad-to-get-that-for-you-when-do-you-need-it*" kind of people that are proud to be part of a special organization that's changing the face of healthcare.

And they do it all with the kind of attitude you can't buy – but you can *build it by example, after example, after example* – of doing things right at every level of the company for more than a dozen years.

They are Team MPT and everything you read about in this 11th Annual Report has been made possible by their intelligence, integrity, industry knowledge and industriousness. And those may be the only "i's" you'll find in this pace-setting company.

Because MPT is all about "we."



LEVERAGING OUR LEADERSHIP POSITION

In 2014, Medical Properties Trust leveraged its leadership position in hospital finance to expand its global footprint while delivering remarkable shareholder value.

MPT invested or committed $1.4 billion in new acquisitions during the year, surpassing the billion-dollar investment mark for the first time.

These investments in the U.S. and abroad are expected to increase MPT's total asset base by 45 percent, to $4.4 billion, and further diversify an already strong portfolio.

This tremendous pace of strategic investment yielded substantial growth. For the full year, MPT's revenue grew by 29 percent while Normalized Funds from Operations (FFO) per share increased by 10 percent — both significant indicators of our financial success.

Ed Aldag
Chairman and CEO

EXPANDING OUR REACH, ENHANCING OUR PORTFOLIO

Historically, MPT has focused primarily on acute and post acute hospitals in the United States . However, the "W" in our stock symbol ("MPW") stands for "worldwide" – a symbol we chose very carefully a decade ago in expectation of finding compelling investment opportunities outside the U.S.

MPW LISTED NYSE®

That is exactly what happened and the company has evolved into the global leader in hospital real estate finance, strengthening our long-term growth potential and our value to shareholders.

MPT's nearly $900 million investment in Median Kliniken, comprising approximately 66 percent of our 2014 investment activity, has been nothing short of transformative. Coming on the heels of our December 2013 acquisition of 11 German rehabilitation facilities run by RHM Kliniken, this acquisition has further solidified MPT's strong brand in Western Europe.

At the end of 2013, MPT owned 1,834 hospital beds across five German states. By the second quarter of 2015, we will own 52 rehabilitation facilities plus two acute care hospitals across 12 German states, bringing that total to 11,279 hospital beds.

> "MPT NOW RANKS AMONG THE TOP FIVE U.S.-BASED OWNERS OF FOR-PROFIT HOSPITAL BEDS"

This dramatic increase in our Western European portfolio has diversified our geographic reach and our revenue streams. In 2004, 16 percent of our revenues were generated by a single property; today, our largest property generates just 2.6 percent of our portfolio. By improving diversification in every respect – by operator, by facility type and by lease maturity – we are sustaining our strong growth and adding to our reliable cash flow.

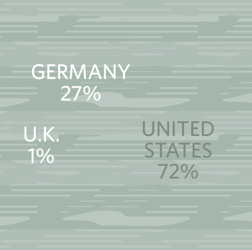
ACHIEVING UNPRECEDENTED GROWTH

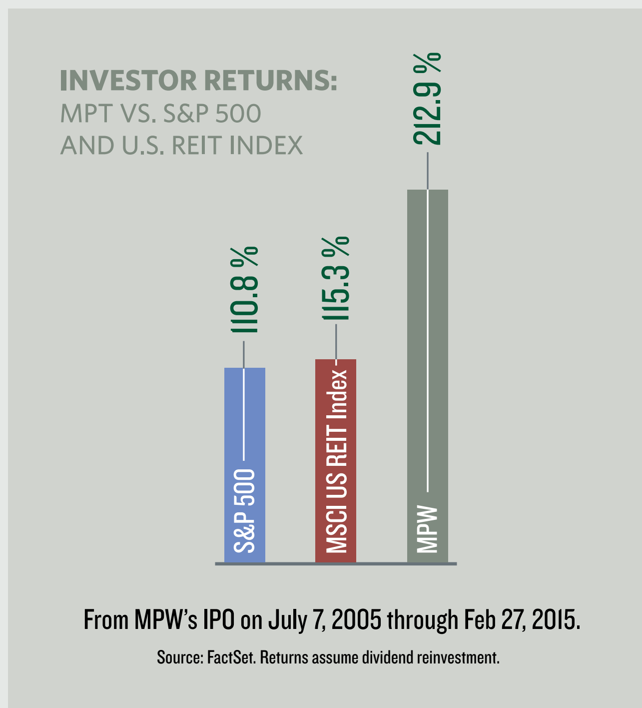
Over the course of 2014, MPT achieved landmark growth, taking decisive action to maximize long-term profitability:

Diversification – In addition to the 40 Median hospitals, MPT acquired three German rehabilitation facilities run by RHM Kliniken. And, we entered the vibrant UK healthcare market with the acquisition of an acute care hospital operated by Circle Health, an innovative leader.

Acquisitions – We acquired acute care facilities in New Jersey, West Virginia, Texas and Alabama, and strengthened our partnerships with such leading American operators as Adeptus Health, Ernest Health and Prime Healthcare Services. *MPT now ranks among the top five U.S.-based owners of for-profit hospital beds.*

INVESTMENTS BY GEOGRAPHIC MIX





From MPW's IPO on July 7, 2005 through Feb 27, 2015.

Source: FactSet. Returns assume dividend reinvestment.

Strong Performance – We increased our revenue and Normalized FFO per share while maintaining industry-leading lease coverage ratios. We also increased our dividend by 5 percent and decreased the payout ratio to 79 percent.

Credit Rating – Shortly after we announced the Median transaction, Standard and Poor's upgraded our senior notes to *investment grade*, lowering our cost of capital and affirming our focus on disciplined growth and diversification as an optimal strategy for our business.

BUILDING ON A STRONG TRACK RECORD

Focused Expansion – MPT will continue to invest in real estate properties across the U.S. and Western Europe. Our investment target of $600 to $800 million for 2015 is consistent with our historical level of investment.

Continued Diversification – U.S. investments now comprise 72 percent of MPT's current portfolio, with Western Europe comprising the balance. Over the long term, we expect to maintain a ratio of about 70 percent in the U.S. and 30 percent in Western Europe – although that may vary as investment opportunities arise.

2014 was a transformational year. We expanded our international presence, set a company record for investment, strengthened our financial foundation and delivered significant shareholder

value. In fact, during 2014, MPT provided shareholders a total return superior to both the S&P 500 and the MSCI U.S. REIT index.

These achievements would not have been possible without the dedication, hard work and teamwork of every MPT employee, and I want to thank them for their commitment .

As we expand our portfolio in 2015, we will continue to rely on our operating know-how and partner with leading hospital operators to generate strong returns for our sharesholders.

Once again, we have proven the success of our business strategy, and we will continue to make bold strides to enhance MPT's position as the global leader in hospital real estate finance.

For your support in all of these exciting endeavors, we thank you.

Sincerely,

Edward K. Aldag, Jr.
Chairman, President and Chief Executive Officer

NOTHING CHANGED

Medical Properties Trust scaled new heights in 2014, building on deep experience and rock solid principles.

IN ITS 12TH YEAR,

Medical Properties Trust, Inc. achieved its most remarkable record ever – investing nearly $1.4 billion in 49 hospitals from Birmingham to Berlin while continuing to produce a compounded annual growth rate of 33 percent – precisely because *nothing changed.*

Nothing fundamental to its business, that is, as the capable MPT team continued to follow the business plan its chairman Ed Aldag first laid out in 2003:

> "MOST OF ALL, INVEST IN PEOPLE. PEOPLE OF INTEGRITY. PEOPLE YOU TRUST."

1. **Invest in hospitals** – *this is what we know.*
2. **Select only those that are a critical part of community infrastructure** and supported by their physicians.
3. **Underwrite each facility *and* each market** – investing only after you know both intimately.
4. **Invest for the long term** with proven hospital operators who know how to achieve solid returns in good years and bad, and who are committed to producing the highest quality medical outcomes.
5. **Take advantage of opportunities, but never of people**; invest only when the deal is truly a win-win for everyone involved.
6. **Monitor and measure everything** – every week, every month, or as often as necessary.
7. **Invest in new technology, new equipment, new construction** – but, most of all, invest in people. People of integrity. People you *trust.*

"We invest in real estate that generates returns from hospital operations, and that's what we did in 2014," said R. Steven Hamner, MPT's Executive Vice President and Chief Financial Officer. "We just did it in a new place, and in a big way."

WINNING A TOUGH INTERNATIONAL COMPETITION

"When you consider our geographic expansion, the significant increase in Western Europe is a bright line on our performance chart. We made a billion dollar commitment to purchase 40 German hospitals in a highly competitive, highly sophisticated sales process," Hamner explained. "And MPT won that competition."

"This is a global company now," said Frank Williams, MPT's Senior Vice President and Senior Managing Director of Acquisitions. "Last year, we were a U.S. company that made an investment in Germany. Today, we are company with a quarter of our assets in Western Europe – including more than 10,000 beds."

"These transactions validate what Ed Aldag has said from the beginning – that we can diversify our business

Steve Hamner
Executive VP and CFO

and still invest in hospitals, which is what we know," Williams added.

In 2013, Medical Properties Trust made its first investment outside the United States, purchasing 11 German rehabilitation hospitals owned by RHM Kliniken, a highly respected operator. RHM's owner is Waterland Private Equity, based in The Netherlands, and one of Europe's best performing private equity firms.

In the process, Waterland principal Carsten Rahlfs and his associates gained first-hand knowledge of MPT's strengths and a deep appreciation for what has driven MPT's long-term success.

FOCUSING ON THE DELIVERY OF SUPERB MEDICAL QUALITY

"MPT is not like other real estate investors, who look into every roof, every wall, every window and door. They *care* about those things, of course, but MPT focuses more on the overall hospital and its operations – is it a stable business and able to pay the rent, and is the operator consistently delivering superb medical quality," Rahlfs observed.

"MPT thoroughly understands hospitals, as well as the problems, issues and challenges they face," Rahlfs said, "and they pay close attention to the market in which each hospital operates."

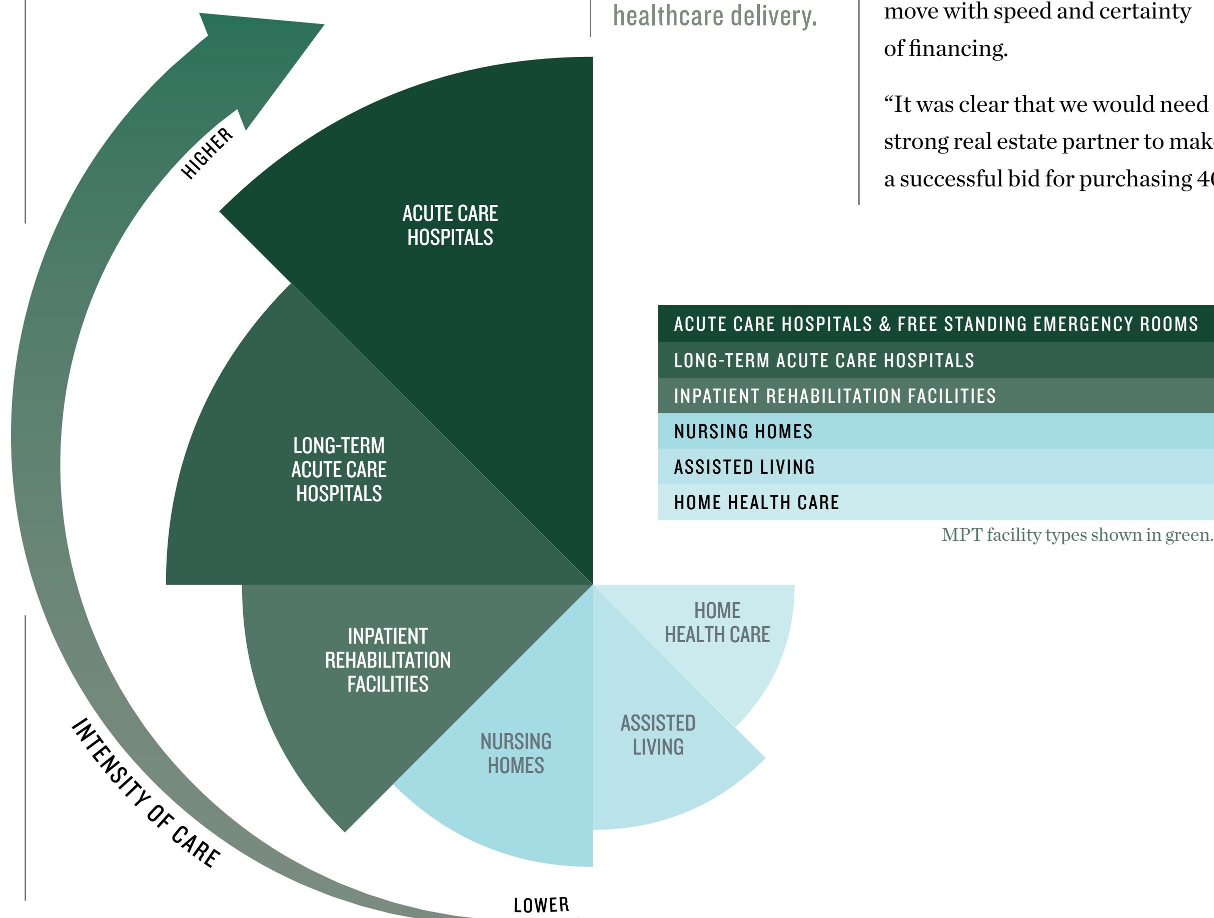
For the RHM deal, Waterland and MPT sat on opposite sides of the negotiating table – Waterland acting as the seller and MPT as the potential buyer – in what turned out to be a successful $245 million transaction. From the experience, both companies learned a lot about each other, and a foundation of trust and respect was created.

The following year, when word began spreading that a new investment opportunity might be developing with Median Kliniken, the largest private operator of rehabilitation hospitals in Germany, Waterland knew it needed to move with speed and certainty of financing.

"It was clear that we would need a strong real estate partner to make a successful bid for purchasing 40

CONTINUUM OF CARE

Medical Properties Trust focuses on the most critical components of healthcare delivery.



MPT facility types shown in green.

hospitals in a single transaction," Rahlfs explained. "Basically, we didn't talk to anyone else because we already had such a good relationship with MPT."

MOVING FROM OPPOSING SIDES – TO A TRUE PARTNERSHIP

"For me, it's quite interesting how the relationship with MPT has developed over a period of 12 to 18 months," Rahlfs observed. "From opposite sides of the table on the RHM transaction, we came together as real partners sitting on the same side of the table for the Median deal."

"It's more than just being business partners," Rahlfs emphasized. "It's a true partnership that keeps getting better over time. When you shake hands with MPT, it's a *done deal*."

While diversifying its portfolio with the huge Median deal, Medical Properties Trust also purchased three additional RHM facilities in Germany for $81 million, and planted its first flag in the United Kingdom with the acquisition of CircleBath Hospital, an innovative acute care facility on the outskirts of historic Bath, England.

CONTINUING TO INVEST SIGNIFICANTLY IN THE U.S.

"We also continued to make significant acquisitions in the United States," Williams noted. During 2014, MPT:

- **Bought** a large acute care hospital in Montclair, New Jersey for $115 million;
- **Backed** First Choice Emergency Rooms with a follow-on investment of $150 million in its parent company, Adeptus Health (which went public in May 2014);
- **Invested** $65 million with Alecto Healthcare to purchase two acute care facilities, a 237-bed hospital in Fairmont, West Virginia, and a 207-bed hospital in Sherman, Texas; and
- **Made** its first investment in Alabama with Medical West, an affiliate of the University of Alabama at Birmingham, to fund the first free-standing emergency department in MPT's home state.

> "WE SURPRISED SOME OF OUR COMPETITORS WITH OUR ABILITY TO CLOSE A TRANSACTION THE SIZE OF MEDIAN IN SUCH A SHORT PERIOD OF TIME"

"We have been able to accomplish all of this," Williams said, "without having to change *anything.*"

As Steve Hamner, the CFO, noted, "We proved ourselves to the investment market, to the sellers and hospital operators, as well as to private equity firms – and we surprised some of our competitors with our ability to close a transaction the size of Median in such a short period of time. "

"And yet," he added, "we didn't change anything significant from what we have been doing for the past 12 years – not our focus, our underwriting principles, our business plan or our integrity ."

"The story is," Hamner concluded, "2014 was more of the same. And this is what we do."

CLIMBING MOUNTAINS

For 124 years, the hospital known as "Mountainside" has served the medical needs of Montclair, New Jersey, a beautiful residential community just 17 miles from the skyscrapers of Manhattan.

As you approach this 365-bed facility, one thing stands out. This nine-acre hospital campus is completely surrounded by private homes, where many of the patients who come to Mountainside reside.

This is their hospital, just as it has been for generations. And the relationship with the people who live here is growing even stronger, as the hospital continues to add services not commonly found at community hospitals, such as robotic surgery, hyperbaric wound care and emergency angioplasty.

The hospital is dedicated to providing convenient access to world-class healthcare for residents of Montclair and surrounding townships – not an easy task in an environment constantly challenged by change.

"AT THE END OF THE DAY, IT WAS THE DOCTORS AND NURSES STEPPING UP AND WORKING – TO IMPROVE OUR OVERALL PERFORMANCE"

John Fromhold, who took the helm as CEO in 2008 (after Merit Health System purchased the hospital and converted it to a for-profit facility) is widely credited with leading the facility through a period of uncertainty about its future and reestablishing a solid foundation for growth while maintaining outstanding patient care.

REDUCING COSTS WITHOUT SACRIFICING QUALITY

"We had some work to do," Fromhold said, "to take unnecessary costs out of the system *without* reducing the levels of quality and service."

By working with the hospital's 600 physicians and giving them new tools to help manage their caseloads, Mountainside has managed to decrease the average length of stay (as measured by Medicare, the main reimbursement source) by almost 1.6 days since 2007.

"One of the reasons this hospital works so well, and has worked well since we became for-profit, has a lot to do with the management team," said Dr. Theresa Soroko, a practicing infectious disease specialist who served as president of the medical staff for four years before being recruited to become Chief Medical Officer – all the while continuing her own medical practice.

"THE CAPITAL INFUSION FROM MPT ENSURES THAT MOUNTAINSIDE WILL REMAIN A STRONG, GENERAL ACUTE CARE FACILITY SERVING THE NEEDS OF ITS COMMUNITY"

COLLABORATING FOR SUCCESS

"We were dealing with a lot of issues from the previous owners and, fairly quickly, we developed a collaborative relationship between the administrative team and the physicians," she said. "I think that's the biggest key to the hospital's success."

"At the end of the day, it was the doctors and nurses stepping up and working – to improve our overall performance," Fromhold said. "To accomplish this, we had to provide the right environment, such as expanding case management to cover nights and weekends."

At the same time, the hospital had to keep down readmissions within 30 days of discharge – another key performance indicator for Medicare reimbursement.

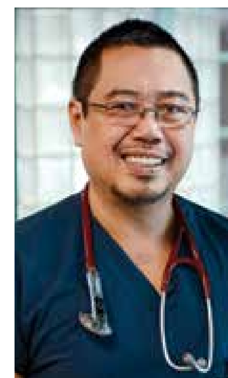
"We continue to run well below the national average and the New Jersey average for readmissions," the CEO noted. "So it's clear our doctors and our hospital are providing a quality experience for the patients while taking unnecessary costs out of the system – a healthy result."

PAVING THE WAY FOR THE NEXT LEVEL OF CARE

Financial results have been healthy, too. In 2008, Mountainside generated a 2.3 percent profit. Four years later, profits had increased to more than 14 percent, which positioned the hospital for a new phase of ownership and the next level of service to the community.

LHP Hospital Group, Inc., a privately-held hospital management company based in Plano, Texas, and Hackensack University Medical Center, one of the leading hospital networks in New Jersey, formed an innovative partnership to purchase Mountainside in July 2012 and make it part of a much larger, integrated health system.

The partnership is benefitting from $115 million in capital from Medical Properties Trust, which is being used to upgrade information technology and patient safety equipment as well as the appearance of the hospital's public areas. For example, the Emergency Department has been expanded by four rooms and the waiting area is being redesigned to streamline the triage of patients and improve overall work flow.



"The capital infusion from MPT ensures that Mountainside will remain a strong general acute care facility serving the needs of its community for decades to come," said LHP's CEO, John Holland. "It's also a vote of confidence in our partnership with a major not-for-profit healthcare network dedicated to the efficient delivery of high quality healthcare to the communities we serve."

SCALING NEW HEIGHTS WITH A STRONG BRAND NAME

With the new ownership came a new name, **Hackensack University Medical Center – Mountainside**, signaling the hospital's affiliation with one of the strongest brand names in New Jersey healthcare.

"Hackensack is the premier health network in the state, with a great group of specialists who have an interest in coming here to complement our current specialty base, or serving as our primary specialists in certain areas," Fromhold said.

That means patients from the community can remain in the community for the vast majority of medical services that they require. "They don't have to go across the river to New York for treatment," Fromhold explained.

For patients requiring tertiary or higher levels of care, the network's flagship hospital – Hackensack University Medical Center (just 13 miles away) – is always available.

> "THE KEY IS CLINICAL INTEGRATION – SHARING THE 'BEST DEMONSTRATED PRACTICES' BETWEEN THE FACILITIES AND THE DOCTORS"

STRENGTHENING RELATIONSHIPS AND CLINICAL INTEGRATION

"Being able to accomplish all of this within our network demonstrates the real strength of that relationship," Fromhold said. "And the key is **clinical integration** – sharing the 'best demonstrated practices' between the facilities and the doctors."

Such integration of care has been underway at HUMC-Mountainside for several years. "As a result, we are in a much better situation today than we have ever been to provide the world-class medical care that we promise," the CEO added.

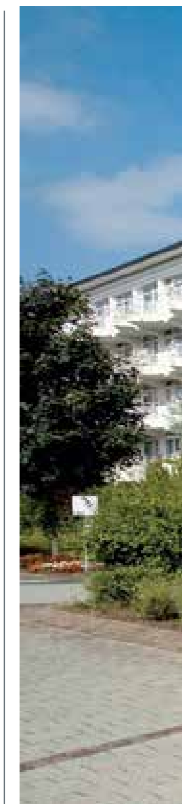
"Healthcare is constantly changing, and we can't be complacent about it," Fromhold observed. "Our job in leadership – from the medical staff, to the CEO of a hospital or the CEO of our network – is to always be challenging ourselves and our team to stay out in front of whatever's coming down."

"I can't think of an industry that is changing more rapidly," Fromhold concluded. "You can be at the top today, but you must work hard to remain at the top."

And that means climbing new mountains of change – for the long-term benefit of patients in the community.

PLUM OF A DEAL

Median Kliniken was a plum, and astute healthcare investors knew it.



Five years after a consortium of international private equity firms purchased it, rumors began to circulate that Germany's leading private operator of rehabilitation hospitals might be up for sale.

Marcol, headquartered in London, had developed and structured the original acquisition of Median in 2009, joining together with Advent International's Frankfurt office to complete the transaction in the middle of a global recession.

Since then, the consortium had invested well over €100 million upgrading facilities, acquiring additional properties and adding services. And Median had grown from 27 hospitals with 6,300 beds, to 45 hospitals with nearly 9,500 beds.

By the end of 2013, Median's staff of nearly 7,500 employees was providing 2.9 million days of care to 127,000 patients per year, and Median had become a partner of choice for both hospitals and payors.

SEARCHING FOR NATURAL SYNERGIES

André Schmidt, CEO of RHM Kliniken, began to think about natural synergies that might be achieved if Waterland Private Equity, which owned RHM, could also acquire Median. MPT had invested $245 million in 2013, to acquire the real estate assets of

DEAL STATS:

40

HOSPITALS IN

11

GERMAN STATES AND

8,715

HOSPITAL BEDS

11 of RHM's hospitals, and he believed MPT might be a funding source again.

"At the beginning of 2014," Schmidt said, "I remember sitting down with Frank Williams (MPT's Senior Vice President and Senior Managing Director – Acquisitions) on one of his visits to Germany and saying, 'We have a question – and we expect it to be a long shot – but if we could buy Median, would MPT be part of the deal?'"

Schmidt wondered if MPT could finance the entire capital need, which could be as much as a billion dollars, and how a deal of that magnitude might affect the various proportions of MPT's overall business.

"That should be no problem from either standpoint," Williams replied right away. "Just let us know when we can discuss this."

RECALLING A MEMORABLE DINNER CONVERSATION

A few months later, as MPT Chairman Ed Aldag was making one of his frequent visits to Germany, he sat down for dinner with André Schmidt, Frank Williams and Waterland Private Equity principal Carsten Rahlfs in the beautiful city of Dresden.

"It was a quaint little restaurant right by the river, with no air conditioning and the windows were up – so it was very hot," Aldag recalled. "But, the food and the atmosphere were incredible."

"André and Carsten indicated they had a couple of things they wanted to discuss and then mentioned some small deals that might happen way down the

road, but I knew that's not what they wanted to talk about," Aldag remembered.

"And then they threw the Median deal on the table – a *billion* dollar deal."

Aldag listened carefully and asked questions.

"By the time we got to dessert, I looked at them across the table and I said, '*We'll do this deal.*' And I'll never forget the look on their faces."

"'That's it?' they asked. But they *knew* it was a done deal," Aldag said.

"I don't think they ever had anyone make a decision like that before," he observed, "but we had already done business with them and we knew they were honorable people. We loved the market, we knew the properties and we knew this was a deal that we wanted to do."

> "WITHOUT MPT AT OUR SIDE, THIS DEAL WOULD HAVE BEEN IMPOSSIBLE."

As Rahlfs recalled, "That dinner was a nice milestone – and one that speaks volumes about our relationship with MPT."

"When I was sitting in that little house in Dresden, I knew I could make that commitment," Aldag said, "because I knew I could call our people back in Birmingham that night, and we could have an entire team on the ground in Germany within two or three days – starting their due diligence on the Median properties."

MOVING AT THE SPEED OF MPT

"The Waterland-MPT consortium really impressed us with the speed at which they were moving," said Pii Ketvel, CEO of Marcol Capital Europe, who was on the seller's side of the transaction. "We actually gave them extra points for how quickly they were able to move."

"MPT was very comfortable with the size of this deal, and they clearly knew what they were doing," Ketvel added. "They are used to executing complex transactions that have to be done at high speed, and they have the know-how and the people to deal with all the issues effectively."

Conducted on a strict timeframe by a highly respected third party, the competition for Median attracted wide interest from real estate investors in Europe and the United States. "There were some large players who didn't have a consortium – they were just single parties," Ketvel noted, "and yet they were not always able to keep to the timetable or keep up with the Waterland/MPT team."

IMPRESSING SELLERS WITH KNOWLEDGE, PROFESSIONALISM AND 'FINANCIAL FIRE POWER'

Several things about the Waterland/MPT team impressed the sellers:

1. **Deep knowledge of healthcare,** and post-acute care in particular;
2. **Proven track records in Germany** and the United States; and
3. **Professionalism in their conduct** throughout the process.

"Once we decided to choose them as our partner, their actions afterwards proved our decision was absolutely the right one," Ketvel noted. "And these were people that neither Marcol nor Advent had ever dealt with before."

"We believe Median is the market leader, and we certainly invested a lot to make sure that it is," Ketvel added. "It's a very good business and we think the financial fire power MPT brings to it will enable Median to make it even better – for the patients, the employees and the whole German healthcare market."

"Having MPT as our partner – a partner we can trust and rely on – made everything so much easier and better," said André Schmidt, who has since become the CEO of both Median and RHM. "Without MPT at our side, this deal would have been impossible."

Together, they got the plum.

ALL ABOUT ACCESS TO CARE

Adeptus Health is building on a vision of bringing hospital-quality emergency care closer to communities.

Adeptus Health (NYSE: ADPT) has been opening free-standing emergency facilities at a steady pace – including 29 in the past year alone.

With a total commitment of $250 million to Adeptus Health, Medical Properties Trust has financed 18 of the facilities, which operate under the name "First Choice Emergency Room," plus 10 currently under construction and more in development.

To support the growth of this healthcare innovator, MPT has expanded its own underwriting and asset management team.

According to Rosa Hooper, MPT's Managing Director of Asset Management and Underwriting, "We have 10 to 15 Adeptus projects underway at any time and we visit each site before they build on it – when it's just a piece of dirt – because we want to see the activity happening all around it and understand how the market is moving."

PRESENTED TO FIRST CHOICE E.R. FOR PATIENT SATISFACTION

RANKING HIGH IN PATIENT SATISFACTION

These are not urgent care centers or "doc-in-the-box" facilities. They are fully equipped emergency rooms with CT scanners, ultrasound and digital X-ray machines, as well as on-site labs. And they are staffed 'round the clock by board-certified emergency physicians and emergency trained registered nurses who deliver top quality care all day, every day.

For the second consecutive year, First Choice has been named a "Guardian of Excellence Award" winner by Press Ganey Associates, which recognizes facilities that rank in the Top 5 percent nationwide for patient satisfaction.

The facilities are also known for their short waiting times.

"Everybody is so busy these days," Hooper observed. "They don't have six or eight hours to sit in a hospital emergency room, waiting for treatment." Now, at Adeptus, they rarely have to wait.

"MPT believed in us when we were small," said Thomas S. Hall, Chairman and CEO of Adeptus Health. "It's really through this partnership that we've been able to grow so rapidly."

Architectural rendering of First Texas Hospital, an Adeptus facility now under construction in Carrollton, Texas, funded by a commitment from Medical Properties Trust

UNDERSTANDING TRENDS LONG BEFORE ANYONE ELSE

“From my perspective, MPT is a thought leader,” Hall added. “The MPT folks from the top down understood what we were doing long before anyone else did, and they made the commitment to support us financially.”

MPT’s investment in Adeptus Health includes an original lease commitment of $100 million and a follow-on investment of $150 million.

“When we did our first deal with Adeptus, in 2013, they were a private company with 15 facilities,” said Frank R. Williams, Jr., MPT’s Senior Vice President and Senior Managing Director – Acquisitions.

“Our commitment of a quarter of a billion dollars has facilitated their growth to more than 60 facilities across three states – with more to come – and helped pave the way to Adeptus Health’s becoming a publicly-traded company.”

> “MPT BELIEVED IN US WHEN WE WERE SMALL”

MPT’s deep experience in hospital financing and its comprehensive knowledge of the healthcare industry enabled the company to recognize the power of the Adeptus model and the strength of their management team.

“We have been their primary source of funds for real estate development,” said MPT’s CEO Ed Aldag, “and we’re looking to do more.”

EXPANDING THE VISION TO SERVE PATIENTS BETTER

Now, as Hall and his team maintain the pace of opening 24 First Choice ERs each year, there’s a new twist to their plans – and one that fits well with Aldag’s vision.

“We’ve told Wall Street that we’re also opening two new *acute care hospitals* this year, in under-served communities,” Hall explained. “These will be small general hospitals with emergency rooms, surgical suites, and intensive care capabilities.”

As fully licensed hospitals with approximately 50 beds, these new Adeptus Health facilities plan to accept Medicare and Medicaid patients, and serve other emergency departments within a 35-mile radius. Each new hospital is envisioned as the central hub of a hub-and-spoke system, bringing healthcare closer to home.

“It’s all about access to care,” Hall observed, “and MPT is working with us on this exciting innovation in our retail approach to medicine.”

WE BELIEVE HOSPITALS CAN BE BETTER

London-based Circle Health has a plan to transform the delivery of patient care in the United Kingdom.

Photo: Nigel Young - Foster + Partners

And the plan is working.

99.7 percent of patients who have come to CircleBath Hospital in the past 12 months say they would recommend the facility to friends and family.

It's an important metric in the U.K., where healthcare needs are growing. Over the next 20 years, the percentage of U.K. residents over 65 will grow to nearly one-quarter of the population. And, like their aging counterparts in the U.S., they will require more hospital services.

"The National Health Service doesn't have the rescources to deliver high quality, patient-centered services in such growing volume," said Paolo Pieri, Circle's Chief Financial Officer. As the demand grows, increasing numbers of U.K. residents are expected to choose private healthcare providers – an option they already have under NHS guidelines, but few understand how much better that option can be.

CircleBath Hospital, which opened in 2010 on the outskirts of the historic city of Bath, is a good example – where one finds an ambiance on par with that of a luxury hotel.

Set into the rolling hills of southwest England, about a hundred miles from London, CircleBath makes the most of its beautiful vistas. A two-story central atrium basking in natural light is often filled with music from a grand piano, and all 28 rooms on the second level feature stunning views over balconies planted with herbs and shrubs.

Fresh herbs, in fact, along with locally sourced produce, are employed by the hospital's highly trained, highly talented culinary staff who are dedicated to serving anything but traditional "hospital food." Every meal is both delicious and healthy, beautifully presented and elegantly served – adding to the patients' overall impression that they have come to a special place.

CircleBath, which Medical Properties Trust acquired for almost $50 million in

July 2014 and leased to Circle, is about as far from a typical NHS hospital – or standard private facility – as you can get.

"The average age of NHS hospitals is about 35 years," Pieri noted, "and the average age of private facilities is about 25 years."

According to Circle Health CEO Steve Melton, "Many private hospitals in the U.K. are incredibly old, compared to private facilities in other Western European countries, and a lot of them are located in old country houses. They were not originally built as hospitals, so they tend to have too many beds and too few operating rooms – and they lack the hotel feel that our new hospitals have."

Sometimes it's the little things that communicate the biggest difference. For example, at CircleBath, you'll never see a hospital gown. Instead, patients are given thick terrycloth robes embroidered with the Circle logo.

> "WHY SHOULD A HOSPITAL FEEL LIKE A HOSPITAL?
> SURELY A HOSPITAL IS A PLACE THAT SHOULD MAKE YOU FEEL WELL."

And visiting family members, who may need to stay with a patient overnight, find that the attractive window seat in each patient room can be easily converted to a comfortable bed.

"Why should a hospital feel like a hospital?" asks Melton. "Surely a hospital is a place that should make you feel well."

BRINGING EVERYONE INTO THE CIRCLE

That's why Melton and the Circle management team engaged Foster + Partners, one of the leading architectural firms in the U.K., with an international reputation for creativity and excellence.

Having never designed a hospital before, the architects approached the challenge with fresh eyes and a willingness to ask questions. Simple, straightforward questions that architects of traditional hospitals might not ask, such as why operating rooms (which the British call operating theatres) don't have windows.

If natural light is good for patients, Foster + Partners reasoned, why wouldn't it also be good for surgeons – making them feel more a part of the natural rhythms of each season?

And so, CircleBath came to have windows in its theatres, making the work environment feel less "institutionalized" and more personal.

"For our very first hospital, we chose an iconic architect to try and break the boundaries of how people think about hospitals – people who had long experience in hospitality projects like hotels, and in 'revolutionary' design," Pieri explained.

"We wanted designers who would engage with our clinicians in such a way that patients would remain at the center of everything we do – in the very center of our clinical circle."

Not surprisingly, thanks to such innovations and

the spirit of collaboration that permeates the hospital, more than 93 percent of CircleBath clinicians said, in 2013, that they would recommend the facility as a good place to work. And that's important, as Circle endeavors to attract and retain the highest caliber medical staff.

In fact, Circle Health, which operates four hospitals in Great Britain, now includes more than 3,000 clinicians – the largest partnership of doctors and nurses in Europe. And, as its website notes, "Circle is an employee co-owned partnership with a social mission to make healthcare better for patients."

> "PATIENTS REMAIN AT THE CENTER OF EVERYTHING WE DO – IN THE VERY CENTER OF OUR CLINICAL CIRCLE"

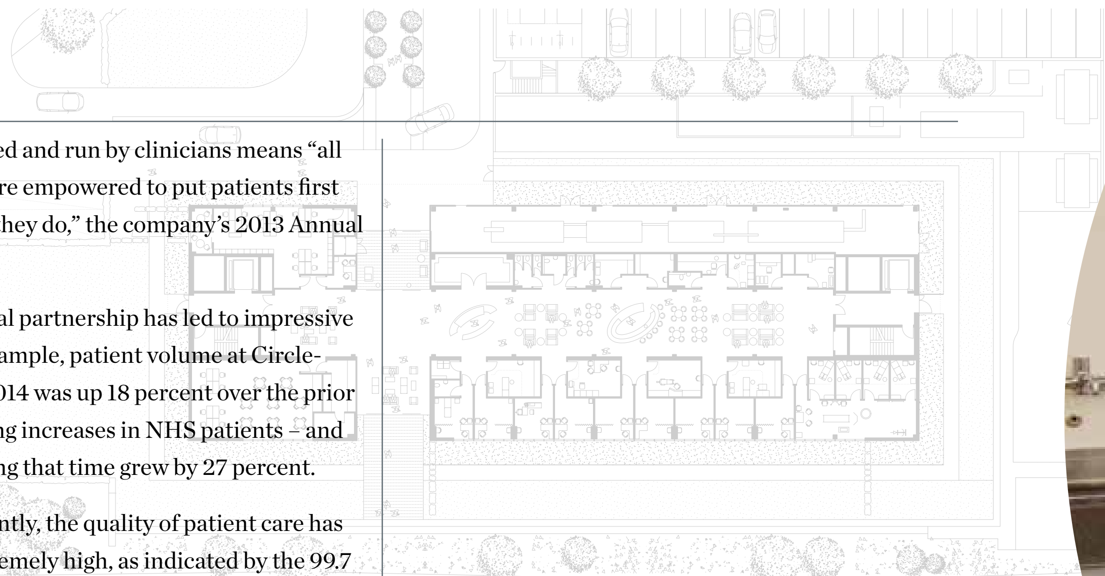
Being co-owned and run by clinicians means "all our partners are empowered to put patients first in everything they do," the company's 2013 Annual Report noted.

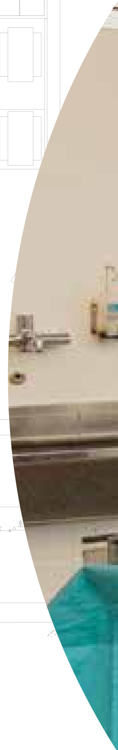
And this special partnership has led to impressive results. For example, patient volume at CircleBath during 2014 was up 18 percent over the prior year – including increases in NHS patients – and revenues during that time grew by 27 percent.

More importantly, the quality of patient care has remained extremely high, as indicated by the 99.7 percent patient satisfaction score at CircleBath – one of the highest in the United Kingdom – and as confirmed by other, external accolades.

In 2013, for example, CircleBath received a national award for "Nursing Practice" at the Laing & Buisson Private Healthcare Awards.

And NHS England research ranked CircleBath as one of the top five hospitals in the U.K. for hip and knee replacements, attracting patients from across the country.





PIONEERING INTEGRATED CARE

"We are also pioneering an integrated care model in Bedfordshire, where we look after all of the musculoskeletal, or MSK, conditions for a population of about half a million people," Melton noted. "This is very much like the HMO model that we see in the U.S. We manage the entire budget for the health system and run the pathway that gets patients the right care they need, in the right place."

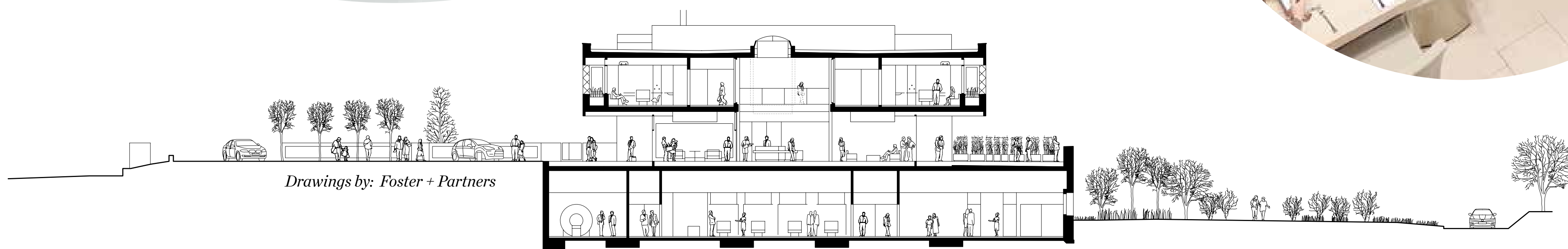
"That's a good example of whole service integration across every aspect of healthcare provision – very much a leading model – and we hope it will grow because that's what the Health Service needs," Circle's CEO explained.

"We are delighted to have expanded MPT's footprint in Western Europe with such a reputable and innovative healthcare provider as Circle Health," said Ed Aldag, Chairman and CEO of Medical Properties Trust. "Circle's strategies of clinician partnerships and collaboration with

the government-funded National Health Service bode well for the company and the U.K. hospital business as a whole."

"It's important to note that Medical Properties Trust didn't just go over to the U.K. to buy a property," Aldag added. "We spent years beforehand understanding the system and getting to know the people involved before we made the decision to do the deal with Circle."

"Now," he said, "we're looking forward to making other capital investments in the U.K. and in other stable economies as the sale/leaseback financing model that MPT pioneered in the United States becomes more widely adopted by hospital operators across the world."



Drawings by: Foster + Partners

A GREAT STORY TO TELL

Distinguished by a fantastic financing solution for hospitals, MPT's New York office is stepping up its efforts.

Frank Williams flew to Europe 26 times last year. On an *audacious* mission.

As Senior Vice President and Senior Managing Director - Acquisitions for Medical Properties Trust, he was in relentless pursuit of the biggest

deal in the company's history – the acquisition of 40 hospitals run by Median Kliniken, Germany's largest private operator of rehabilitation facilities.

"It's not often that you find a portfolio of that scale with so many well-run hospitals, with a great reputation in a market we know and like," Williams said. "That's a unique opportunity."

Another key attraction was the opportunity to partner with Waterland Private Equity, a leading European investment firm based in The Netherlands, to pursue the deal. Waterland's portfolio company, RHM Kliniken, was the seller the year before in MPT's first foray into Western Europe.

FEELING VERY LUCKY

"To have Waterland as a partner to acquire such a strong pool of assets and further expand MPT's presence in Germany, made us feel very lucky," he said.

Williams is also feeling lucky on the home front, as MPT's offices in the Met Life Building above Grand Central Terminal in New York City have expanded.

As the company's assets have grown from $1 billion to nearly $5 billion over the past few years – and as its footprint has expanded across the U.S. and Western Europe – MPT team members have been spending more time with investment bankers, brokers, and investors, many of whom are based in New York.

"When the banks show up, often with a full team of people, we now have a proper place to meet – in our expanded conference room – which was the original impetus for our office expansion," Williams explained. MPT moved into the larger quarters next door to its original New York offices when the space became available.

MAKING ROOM FOR GROWTH

There's also more room when team members from Birmingham visit.

"Meetings that formerly may have been held in Midtown hotels or conference rooms can now be held here," Williams said. "When folks from the corporate office walk in, all they have to do is open their laptops and connect to our system, which like our phones, is networked with MPT's Birmingham headquarters – so their work here is much more efficient. Plus, we're equipped with state-of-the-art video conferencing abilities and we can easily participate in meetings taking place there, or anywhere."

> "TO CONTINUE TO GROW THIS BUSINESS THE WAY WE WANT TO GROW IT, WE NEEDED TO EXPAND THE NUMBER OF PLAYERS WE HAVE ON THE FIELD."

The new space also provides offices for new acquisitions team members, two of whom were originally competing for only one job opening, but didn't know it.

SEEKING PEOPLE WITH HOSPITAL EXPERIENCE

"To continue to grow this business the way we want to grow it, we needed to expand the number of players we have on the field," said Williams. "We needed people with healthcare experience, investment experience and most importantly hospital experience – so that's what we looked for, and we found two people who met all the criteria."

In keeping with MPT's hiring practices, which have produced an amazingly cohesive team across the company, the final two candidates interviewed first with Williams and met everyone in the New York office.

Then, they came to Alabama to meet the team members in Birmingham and to interview with

Emmett McLean, MPT's Executive Vice President and Chief Operating Officer. A company founder, McLean is in charge of operations and personnel and has played a vital role in assembling the overall team since the company's beginnings in 2003.

The final step would be meeting with MPT's CEO Ed Aldag, who also interviews *everyone* before they are hired. But Aldag was going to be on vacation.

"I didn't want to slow things down, so I invited them to meet me while I was on vacation – and I interviewed them both on the same day," Aldag recalled.

"What did you think," asked Williams in a follow-up phone call, not indicating a preference because he felt either candidate would be great for the job.

> "YOU DON'T INVEST FOR THE SIZE OF THE COMPANY TODAY, YOU INVEST FOR WHAT YOU'RE GOING TO GROW THE COMPANY TO BECOME"

"I think we should hire them *both*," Aldag replied. "We have *plenty* of opportunity."

McLean had come to the same conclusion – *without* talking to Aldag.

And that, according to Williams, is the perfect example of how MPT operates.

INVESTING FOR THE LONG TERM

"It's about investing for the long-term future of the company," Williams said. "You don't invest for the size of the company today, you invest for what you're going to *grow the company* to become."

From Williams' point of view, hiring either candidate would have been 'a win.' The decision to hire both was truly a 'win-win.'

"We have this unbelievably great story to tell, which is distinguished by a fantastic financing solution for hospitals, and now we have a significantly expanded team to go out and do just that," Williams noted.

Nathan Myers, Managing Director, has worked in healthcare throughout his career, first as an investment banker with a highly respected boutique firm and later on the private equity side for Wachovia Capital Partners. Prior to joining MPT last December, he spent three-and-a-half years with DaVita, a major dialysis company based in Denver, negotiating complex payor partnerships and relationships.

Wes Smith, Managing Director, as fate would have it, was working in investment banking for Deutsche Bank back in 2005, when MPT founders Ed Aldag, Steve Hamner and Emmett McLean were interviewing banks for the company's initial public offering. Smith later worked in another investment bank's healthcare group before joining CIT, the huge middle market lender, eight years ago. At CIT, he worked in healthcare finance on mergers and acquisitions, and developed a wealth of private equity and operating contacts.

ROUNDING OUT A CAPABLE TEAM

Myers and Smith round out MPT's capable acquisitions team, including:

• **Brady Busch**, Acquisitions Manager, who first worked with Williams when they were both investment bankers with Bear Stearns and who became the first to join him as an acquisitions analyst in MPT's New York office three years ago;

• **Dennis Nabors**, Analyst-Acquisitions, who began his career in MPT's asset management department in Birmingham in 2012 and transferred to the New York office two years ago;

• **Luke Savage**, MPT's Acquisitions Manager, based in Birmingham, who travels to New York several days each month to work with the team face to face, and who traveled to Germany several times as part of MPT's due diligence team for the Median acquisition; and

• **Karen Marino**, Executive Assistant, who joined the New York office in late February after spending 13 years with an investment firm – as office manager, benefits manager and *whatever-it-takes-to-get-the-job-done-right* manager. When that firm moved to new offices, she managed every detail. Now, she's providing support for Williams and MPT's entire New York team.

The team, which has always been busy, is moving ahead more expeditiously than ever, redoubling its efforts to get in front of clients and potential clients.

"We've learned that when we build relationships and maintain constant dialog with people, we're their first call when they want to know what's happening in the hospital finance space," Williams said.

"They want to know what we think because they see value in the depth of MPT's knowledge, and they know we are hospital people."

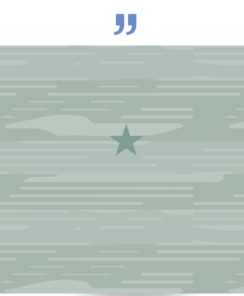
A CULTURE OF INVOLVEMENT

Spend some time with MPT people, and sooner or later, you may want to join the team. Because they work together unselfishly.

With a background in public accounting, Scott Heald made the transition into healthcare with Blue Cross Blue Shield and later worked for a surgical care company. Occasionally, he would run into an old friend, Jason Frey, who was working as an asset manager at MPT.

Emmett McLean
Executive VP and COO

"THEY HAVE AN INCREDIBLE CHEMISTRY"



"Would you be interested in working here?" Frey would ask when they were working out at the gym.

"Well, maybe," Heald said, after his friend had mentioned it more than once.

"So, I came and talked to MPT," Heald said, "and the beautiful thing is, you meet everybody in the interview process – *the whole team* – and that made up my mind."

"My first impression was, this is the most top-notch group of teammates you could possibly find," he said. "And that's still my impression."

TAKING PART IN DUE DILIGENCE AT THE HIGHEST LEVELS

Heald joined the company two and a half years ago and soon became part of an MPT team doing due diligence on CircleBath Hospital near Bath, England. In early 2013, the team met with Circle Health's CEO Steve Melton and CFO Paulo Pieri before touring Circle Hospitals in Bath and Reading. Then, Heald and Tom Schultz, MPT's veteran Director of Healthcare, made a side trip to see a National Health Service hospital that Circle had been contracted to operate.

"Circle had developed an almost mind-blowing operational model to completely change the culture of the hospital to a more patient-centric service organization – and it was *working*," he said.

"Their approach is pretty ground breaking," Heald observed. "In my mind, Circle is the vanguard of innovation, leading the charge on the private side of healthcare."

Circle Health also impressed Tom Schultz and the whole team. And, ultimately, CircleBath became MPT's first acquisition in the U.K.

"Circle creates a superior *culture of involvement* of employees and doctors, who work hard to produce superior outcomes," he observed.

SHOULDERING MORE AND MORE RESPONSIBILITIES

Schultz is also impressed by the culture of involvement at MPT, including younger team members like Scott Heald, Jason Frey, Lee Baker and others who are shouldering more and more responsibilities as the company grows.

"We committed to add nearly $1.4 billion worth of property to MPT's portfolio in 2014, and how many people did we add? Just a couple," Schultz noted.

"I've never seen the kind of *esprit de corps* that our employees have," he added. "I call it being an 'MPT-er.' That's an expression I added to our vocabulary, and it means *all* the people are team players, all working hard for the benefit of the shareholders and the company."

Rosa Hooper, Managing Director of Asset Management and Underwriting, feels the same way. "I can't say enough good things about the folks I have the privilege of working with – such bright people with all types of backgrounds."

In 2014, MPT began a process improvement program, with asset management and underwriting team members assigned in small groups to study the main processes across the department. When the groups came together a month later to share their findings, they brought detailed flow charts and recommendations on how each process could be improved.

THINKING THROUGH THE FUTURE

"I was struck by how much thought everyone had put into it," Hooper said, "which shows the incredible degree to which every team member is engaged in making MPT better."

"We have people who will jump on a plane at a moment's notice to go take care of whatever is required around the world," said MPT's Executive Vice President and COO Emmett McLean, who heads the company's hiring process.

> "EVERY TEAM MEMBER IS ENGAGED IN MAKING MPT BETTER"

"They have an amazing willingness to rise to whatever challenge we put in front of them and an incredible chemistry between them," he noted.

"It's refreshing to be part of an organization where everyone works together and gets along so well," McLean added. "I take great satisfaction in witnessing the high level of performance by all our people, which has elevated the company to a true leadership position."

$4.4B INVESTED

of Properties by State & Country

#	State/Country	#	State/Country
2	Alabama	3	New Jersey
5	Arizona	2	New Mexico
13	California	1	Oregon
9	Colorado	1	Pennsylvania
3	Connecticut	2	Rhode Island
1	Florida	4	South Carolina
4	Idaho	45	Texas
2	Indiana	3	Utah
3	Kansas	1	Virginia
4	Louisiana	1	West Virginia
1	Massachusetts	1	Wisconsin
1	Michigan	1	Wyoming
2	Missouri	54	Germany
1	Montana	1	U.K.
1	Nevada		

172 FACILITIES
27 STATES
3 COUNTRIES

Portfolio statistics are as of December 31, 2014, and assume fully funded commitments.

Properties by Facility Type

CURRENT PORTFOLIO

As of December 31, 2014, Medical Properties Trust's portfolio included 172 facilities – 117 across the United States, 54 in Germany and 1 in the U.K. – representing an investment of approximately $4.4 billion.

EXPANDING IN WESTERN EUROPE

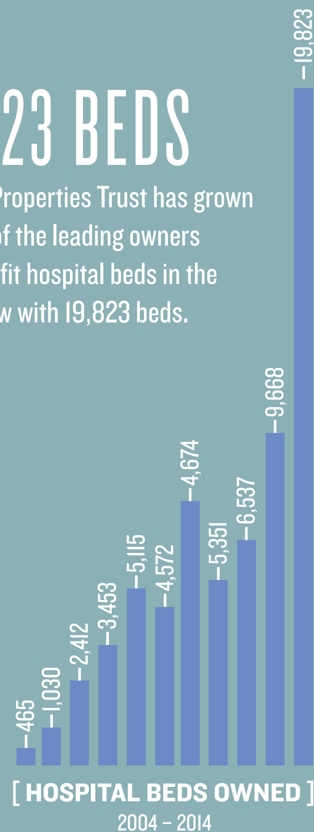
Medical Properties Trust provides stockholders an opportunity to earn attractive returns from profitable hospital facilities at home and abroad and participate in the largest sectors of the U.S., German and U.K. economies.

WELL DIVERSIFIED

No single hospital property represents more than 2.6% of MPT's portfolio.

19,823 BEDS

Medical Properties Trust has grown into one of the leading owners of for-profit hospital beds in the world, now with 19,823 beds.



U.K.

GERMANY

SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis:

[In thousands, except per share amounts]	For the Year Ended December 31, 2014[1]	For the Year Ended December 31, 2013[1]	For the Year Ended December 31, 2012[1]	For the Year Ended December 31, 2011[1]	For the Year Ended December 31, 2010[1]
OPERATING DATA					
Total revenue	$ 312,532	$ 242,523	$ 198,125	$ 132,322	$ 104,825
Depreciation and amortization (expense)	(53,938)	(36,978)	(32,815)	(30,147)	(20,148)
Property-related and general and administrative (expenses)	(39,125)	(32,513)	(30,039)	(27,815)	(31,423)
Acquisition expenses [2]	(26,389)	(19,494)	(5,420)	(4,184)	(1,108)
Impairment (charge)	(50,128)	—	—	—	(12,000)
Interest and other income	8,040	3,235	1,281	96	1,518
Debt refinancing/unutilized financing (expense)	(1,698)	—	—	(14,214)	(6,716)
Interest (expense)	(98,156)	(66,746)	(58,243)	(43,810)	(33,984)
Income tax (expense)	(340)	(726)	(19)	(128)	(386)
Income from continuing operations	50,798	89,301	72,870	12,120	578
Income (loss) from discontinued operations	(2)	7,914	17,207	14,594	22,434
Net income	50,796	97,215	90,077	26,714	23,012
Net income attributable to non-controlling interests	(274)	(224)	(177)	(178)	(99)
Net income attributable to MPT common stockholders	$ 50,522	$ 96,991	$ 89,900	$ 26,536	$ 22,913
Income from continuing operations attributable to MPT common stockholders per diluted share	$ 0.29	$ 0.58	$ 0.54	$ 0.10	$ —
Income from discontinued operations attributable to MPT common stockholders per diluted share	—	0.05	0.13	0.13	0.22
Net income, attributable to MPT common stockholders per diluted share	$ 0.29	$ 0.63	$ 0.67	$ 0.23	$ 0.22
Weighted average number of common shares — diluted	170,540	152,598	132,333	110,629	100,708
OTHER DATA					
Dividends declared per common share	$ 0.84	$ 0.81	$ 0.80	$ 0.80	$ 0.80
BALANCE SHEET DATA	**December 31, 2014[1]**	**December 31, 2013[1]**	**December 31, 2012[1]**	**December 31, 2011[1]**	**December 31, 2010[1]**
Real estate assets — at cost	$ 2,612,291	$ 2,296,479	$ 1,591,189	$ 1,261,644	$ 1,017,059
Real estate accumulated depreciation/amortization	(202,627)	(159,776)	(122,796)	(89,982)	(60,784)
Mortgage and other loans	970,761	549,746	527,893	239,839	215,985
Cash and equivalents	144,541	45,979	37,311	102,726	98,408
Other assets	222,370	172,267	145,289	107,647	78,146
Total assets	$ 3,747,336	$ 2,904,695	$ 2,178,886	$ 1,621,874	$ 1,348,814
Debt, net	$ 2,201,654	$ 1,421,681	$ 1,025,160	$ 689,849	$ 369,970
Other liabilities	163,635	138,806	103,912	103,210	79,268
Total Medical Properties Trust, Inc. Stockholders' Equity	1,382,047	1,344,208	1,049,814	828,815	899,462
Non-controlling interests	—	—	—	—	114
Total equity	1,382,047	1,344,208	1,049,814	828,815	899,576
Total liabilities and equity	$ 3,747,336	$ 2,904,695	$ 2,178,886	$ 1,621,874	$ 1,348,814

Footnotes to Selected Financial Data:

(1) Cash paid for acquisitions and other related investments totaled $767.7 million, $654.9 million, $621.5 million, $279.0 million, and $137.8 million in 2014, 2013, 2012, 2011, and 2010, respectively. The results of operations resulting from these investments are reflected in our consolidated financial statements from the dates invested. See Note 3 to the consolidated financial statements included in this Annual Report for further information on acquisitions of real estate, new loans, and other investments.

(2) Includes $5.8 million and $12.0 million in transfer taxes in 2014 and 2013, respectively, related to our property acquisitions in foreign jurisdictions.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table presents a reconciliation of net income attributable to MPT common stockholders to FFO and normalized FFO for the years ended December 31, 2014, 2013, and 2012 (amounts in thousands except per share data):

FFO information:	For the Years Ended December 31,		
	2014	2013	2012
Net income attributable to MPT common stockholders	$ 50,522	$ 96,991	$ 89,900
Participating securities' share in earnings	(895)	(729)	(887)
Net income, less participating securities' share in earnings	$ 49,627	$ 96,262	$ 89,013
Depreciation and amortization:			
Continuing operations	53,938	36,978	32,815
Discontinued operations	—	708	2,041
Gain on sale of real estate	(2,857)	(7,659)	(16,369)
Real estate impairment charge	5,974	—	—
Funds from operations	$ 106,682	$ 126,289	$ 107,500
Write-off of straight line rent	2,818	1,457	6,456
Acquisition costs	26,389	19,494	5,420
Debt refinancing and unutilized financing expenses	1,698	—	—
Loan and other impairment charges	44,154	—	—
Normalized funds from operations	$ 181,741	$ 147,240	$ 119,376

Per diluted share data	2014	2013	2012
Net income, less participating securities' share in earnings	$ 0.29	$ 0.63	$ 0.67
Depreciation and amortization:			
Continuing operations	0.31	0.24	0.25
Discontinued operations	—	—	0.01
Gain on sale of real estate	(0.01)	(0.04)	(0.12)
Real estate impairment charge	0.04	—	—
Funds from operations	$ 0.63	$ 0.83	$ 0.81
Write-off of straight line rent	0.02	0.01	0.05
Acquisition costs	0.15	0.12	0.04
Debt refinancing and unutilized financing expenses	—	—	—
Loan and other impairment charges	0.26	—	—
Normalized funds from operations	$ 1.06	$ 0.96	$ 0.90

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

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

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

CONTINUING TO LEAD

With a passion for hospitals and a 12-year track record of meeting their capital needs across the United States through innovative sale/leaseback transactions, the founders of MPT and the team they have carefully built are now leading the way in Western Europe.

From left: Emmett E. McLean, Executive Vice President and COO; Edward K. Aldag, Jr., Chairman, President and CEO; and R. Steven Hamner, Executive Vice President and CFO.

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FORWARD-LOOKING STATEMENTS

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

- our business strategy;
- our projected operating results;
- our ability to acquire or develop net-leased facilities;
- availability of suitable facilities to acquire or develop;
- our ability to enter into, and the terms of, our prospective leases and loans;
- our ability to raise additional funds through offerings of debt and equity securities and/or property disposals;
- our ability to obtain future financing arrangements;
- estimates relating to, and our ability to pay, future distributions;
- our ability to compete in the marketplace;
- lease rates and interest rates;
- market trends;
- projected capital expenditures; and
- the impact of technology on our facilities, operations and business.

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

- the factors referenced in the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" in our Form 10-K for the year ended December 31, 2014;
- U.S. (both national and local) and European (in particular Germany and the U.K.) economic, business, real estate, and other market conditions;
- the satisfaction of all conditions to, the timely closing (if at all) of, and our ability to realize the anticipated benefits from, the Median transactions;
- 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;
- other factors affecting the real estate industry generally or the healthcare real estate industry in particular;
- our ability to maintain our status as a real estate investment trust, or REIT for U.S. federal and state income tax purposes;
- our ability to attract and retain qualified personnel;
- U.S. (both federal and state) and European (in particular Germany and the U.K.) healthcare and other regulatory requirements;
- changes in foreign currency exchange rates; and
- U.S. national and local economic conditions, as well as conditions in Europe and any other foreign jurisdictions where we own or will own healthcare facilities which may have a negative effect on the following, among other things:
    - the financial condition of our tenants, our lenders, counterparties to our interest rate swaps and other hedged transactions and institutions that hold our cash balances, which may expose us to increased risks of default by these parties;
    - our ability to obtain equity or debt financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities, refinance existing debt and our future interest expense; and
    - the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of net income, comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements , for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Accounting Standards Update 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* during the year ended December 31, 2014.

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

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

PricewaterhouseCoopers LLP

Birmingham, Alabama
March 2, 2015

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(Amounts in thousands, except for per share data)	
ASSETS		
Real estate assets		
Land	$ 192,551	$ 154,858
Buildings and improvements	1,848,176	1,578,336
Construction in progress and other	23,163	41,771
Intangible lease assets	108,885	90,490
Net investment in direct financing leases	439,516	431,024
Mortgage loans	397,594	388,756
Gross investment in real estate assets	3,009,885	2,685,235
Accumulated depreciation	(181,441)	(144,235)
Accumulated amortization	(21,186)	(15,541)
Net investment in real estate assets	2,807,258	2,525,459
Cash and cash equivalents	144,541	45,979
Interest and rent receivables	41,137	58,565
Straight-line rent receivables	59,128	45,829
Other loans	573,167	160,990
Other assets	122,105	67,873
Total Assets	**$ 3,747,336**	**$ 2,904,695**
LIABILITIES AND EQUITY		
Liabilities		
Debt, net	$ 2,201,654	$ 1,421,681
Accounts payable and accrued expenses	112,623	94,290
Deferred revenue	27,207	24,114
Lease deposits and other obligations to tenants	23,805	20,402
Total liabilities	2,365,289	1,560,487
Commitments and Contingencies		
Equity		
Preferred stock, $0.001 par value. Authorized 10,000 shares; no shares outstanding	—	—
Common stock, $0.001 par value. Authorized 250,000 shares; issued and outstanding — 172,743 shares at December 31, 2014 and 161,310 shares at December 31, 2013	172	161
Additional paid-in capital	1,765,381	1,618,054
Distributions in excess of net income	(361,330)	(264,804)
Accumulated other comprehensive loss	(21,914)	(8,941)
Treasury shares, at cost	(262)	(262)
Total Equity	1,382,047	1,344,208
Total Liabilities and Equity	**$ 3,747,336**	**$ 2,904,695**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2014	2013	2012
	(Amounts in thousands, except for per share data)		
Revenues			
Rent billed	$ 187,018	$ 132,578	$ 119,883
Straight-line rent	13,507	10,706	7,911
Income from direct financing leases	49,155	40,830	21,728
Interest and fee income	62,852	58,409	48,603
Total revenues	312,532	242,523	198,125
Expenses			
Real estate depreciation and amortization	53,938	36,978	32,815
Impairment charges	50,128	—	—
Property-related	1,851	2,450	1,477
Acquisition expenses	26,389	19,494	5,420
General and administrative	37,274	30,063	28,562
Total operating expenses	169,580	88,985	68,274
Operating income	142,952	153,538	129,851
Other income (expense)			
Interest and other (expense) income	5,481	(319)	(1,662)
Earnings from equity and other interests	2,559	3,554	2,943
Debt refinancing and unutilized financings expense	(1,698)	—	—
Interest expense	(98,156)	(66,746)	(58,243)
Income tax expense	(340)	(726)	(19)
Net other expenses	(92,154)	(64,237)	(56,981)
Income from continuing operations	50,798	89,301	72,870
Income (loss) from discontinued operations	(2)	7,914	17,207
Net income	50,796	97,215	90,077
Net income attributable to non-controlling interests	(274)	(224)	(177)
Net income attributable to MPT common stockholders	**$ 50,522**	**$ 96,991**	**$ 89,900**
Earnings per share — basic			
Income from continuing operations attributable to MPT common stockholders	$ 0.29	$ 0.59	$ 0.54
Income from discontinued operations attributable to MPT common stockholders	—	0.05	0.13
Net income attributable to MPT common stockholders	**$ 0.29**	**$ 0.64**	**$ 0.67**
Weighted average shares outstanding — basic	**169,999**	**151,439**	**132,331**
Earnings per share — diluted			
Income from continuing operations attributable to MPT common stockholders	$ 0.29	$ 0.58	$ 0.54
Income from discontinued operations attributable to MPT common stockholders	—	0.05	0.13
Net income attributable to MPT common stockholders	**$ 0.29**	**$ 0.63**	**$ 0.67**
Weighted average shares outstanding — diluted	**170,540**	**152,598**	**132,333**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31,		
	2014	2013	2012
	(Amounts in thousands)		
Net income	$ 50,796	$ 97,215	$ 90,077
Other comprehensive income (loss):			
Unrealized gain (loss) on interest rate swap	2,964	3,474	(251)
Foreign currency translation gain (loss)	(15,937)	67	—
Total comprehensive income	37,823	100,756	89,826
Comprehensive income attributable to non-controlling interests	(274)	(224)	(177)
Comprehensive income attributable to MPT common stockholders	$ 37,549	$ 100,532	$ 89,649

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Preferred		Common							
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interests	Total Equity
	(Amounts in thousands, except for per share data)									
Balance at December 31, 2011	—	$ —	110,786	$ 111	$ 1,055,256	$ (214,059)	$ (12,231)	$ (262)	$ —	$ 828,815
Net income	—	—	—	—	—	89,900	—	—	177	90,077
Unrealized loss on interest rate swaps	—	—	—	—	—	—	(251)	—	—	(251)
Stock vesting and amortization of stock-based compensation	—	—	854	1	7,636	—	—	—	—	7,637
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(177)	(177)
Proceeds from offering (net of offering costs)	—	—	24,695	24	233,024	—	—	—	—	233,048
Dividends declared ($0.80 per common share)	—	—	—	—	—	(109,335)	—	—	—	(109,335)
Balance at December 31, 2012	—	$ —	136,335	$ 136	$ 1,295,916	$ (233,494)	$ (12,482)	$ (262)	$ —	$ 1,049,814
Net income	—	—	—	—	—	96,991	—	—	224	97,215
Unrealized gain on interest rate swaps	—	—	—	—	—	—	3,474	—	—	3,474
Foreign currency translation gain	—	—	—	—	—	—	67	—	—	67
Stock vesting and amortization of stock-based compensation	—	—	811	1	8,832	—	—	—	—	8,833
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(224)	(224)
Proceeds from offering (net of offering costs)	—	—	24,164	24	313,306	—	—	—	—	313,330
Dividends declared ($0.81 per common share)	—	—	—	—	—	(128,301)	—	—	—	(128,301)
Balance at December 31, 2013	—	$ —	161,310	$ 161	$ 1,618,054	$ (264,804)	$ (8,941)	$ (262)	$ —	$ 1,344,208
Net income	—	—	—	—	—	50,522	—	—	274	50,796
Unrealized gain on interest rate swaps	—	—	—	—	—	—	2,964	—	—	2,964
Foreign currency translation loss	—	—	—	—	—	—	(15,937)	—	—	(15,937)
Stock vesting and amortization of stock-based compensation	—	—	777	—	9,165	—	—	—	—	9,165
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(274)	(274)
Proceeds from offering (net of offering costs)	—	—	10,656	11	138,162	—	—	—	—	138,173
Dividends declared ($0.84 per common share)	—	—	—	—	—	(147,048)	—	—	—	(147,048)
Balance at December 31, 2014	—	$ —	172,743	$ 172	$ 1,765,381	$ (361,330)	$ (21,914)	$ (262)	$ —	$ 1,382,047

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2014	2013	2012
	(Amounts in thousands)		
Operating activities			
Net income	$ 50,796	$ 97,215	$ 90,077
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	55,162	38,818	35,593
Amortization and write-off of deferred financing costs and debt discount	5,105	3,559	3,457
Direct financing lease accretion	(6,701)	(5,774)	(3,104)
Straight-line rent revenue	(16,325)	(11,265)	(8,309)
Share-based compensation expense	9,165	8,833	7,637
(Gain) loss from sale of real estate	(2,857)	(7,659)	(16,369)
Impairment charges	50,128	—	—
Straight-line rent write-off	2,818	1,457	6,456
Other adjustments	520	(70)	538
Decrease (increase) in:			
Interest and rent receivable	(3,856)	(13,211)	(17,261)
Other assets	764	1,855	91
Accounts payable and accrued expenses	6,209	23,867	9,201
Deferred revenue	(485)	3,177	(2,698)
Net cash provided by operating activities	150,443	140,802	105,309
Investing activities			
Cash paid for acquisitions and other related investments	(767,696)	(654,922)	(621,490)
Net proceeds from sale of real estate	34,649	32,409	71,202
Principal received on loans receivable	11,265	7,249	10,931
Investment in loans receivable	(12,782)	(3,746)	(1,293)
Construction in progress	(102,333)	(41,452)	(44,570)
Other investments, net	(13,126)	(52,115)	(31,908)
Net cash (used for) provided by investing activities	(850,023)	(712,577)	(617,128)

	For the Years Ended December 31,		
	2014	2013	2012
	(Amounts in thousands)		
Financing activities			
Additions to term debt	425,000	424,580	300,000
Payments of term debt	(100,266)	(11,249)	(232)
Payment of deferred financing costs	(14,496)	(9,760)	(6,247)
Revolving credit facilities, net	490,625	(20,000)	35,400
Distributions paid	(144,365)	(120,309)	(103,952)
Lease deposits and other obligations to tenants	7,892	3,231	(11,436)
Proceeds from sale of common shares, net of offering costs	138,173	313,330	233,048
Other	—	—	(177)
Net cash provided by financing activities	802,563	579,823	446,404
Increase (decrease) in cash and cash equivalents for the year	102,983	8,048	(65,415)
Effect of exchange rate changes	(4,421)	620	—
Cash and cash equivalents at beginning of year	45,979	37,311	102,726
Cash and cash equivalents at end of year	**$ 144,541**	**$ 45,979**	**$ 37,311**
Interest paid, including capitalized interest of $1,860 in 2014, $1,729 in 2013, and $1,596 in 2012	$ 91,890	$ 58,110	$ 51,440
Supplemental schedule of non-cash investing activities:			
Loan conversion to equity interest	$ —	$ —	$ 1,648
Mortgage loan issued from sale of real estate	12,500	—	3,650
Supplemental schedule of non-cash financing activities:			
Dividends declared, not paid	$ 38,461	$ 35,778	$ 27,786

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

Medical Properties Trust, Inc., a Maryland corporation, was formed on August 27, 2003, under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in, owning, and leasing healthcare 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.

We have operated as a real estate investment trust ("REIT") since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of the calendar year 2004 federal income tax return. Accordingly, we will generally not be subject to U.S. federal income tax, provided that we continue to qualify as a REIT and our distributions to our stockholders equal or exceed our taxable income.

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, long-term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. We also make mortgage and other loans to operators of similar facilities. In addition, we may obtain profits or equity interests in our tenants, from time to time, in order to enhance our overall return. We manage our business as a single business segment. All of our properties are located in the United States and Europe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

We continually evaluate all of our transactions and investments to determine if they represent variable interests in a variable interest entity ("VIE"). If we determine that we have a variable interest in a VIE, we then evaluate if we are the primary beneficiary of the VIE. The evaluation is a qualitative assessment as to whether we have the ability to direct the activities of a VIE that most significantly impact the entity's economic performance. We consolidate each VIE in which we, by virtue of or transactions with our investments in the entity, are considered to be the primary beneficiary.

At December 31, 2014, we had loans and/or equity investments in certain VIEs, which are also tenants of our facilities (including but not limited to Ernest and Vibra). We have determined that we are not the primary beneficiary of these VIEs. The carrying value and classification of the related assets and maximum exposure to loss as a result of our involvement with these VIEs are presented below at December 31, 2014 (in thousands):

VIE Type	Maximum Loss Exposure(1)	Asset Type Classification	Carrying Amount(2)
Loans, net	$257,208	Mortgage and other loans	$ 207,617
Equity investments	$ 53,542	Other assets	$ 5,490

(1) Our maximum loss exposure related to loans with VIEs represents our current aggregate gross carrying value of the loan plus accrued interest and any other related assets (such as rents receivable), less any liabilities. Our maximum loss exposure related to our equity investment in VIEs represent the current carrying values of such investment plus any other related assets (such as rent receivables) less any liabilities.

(2) Carrying amount reflects the net book value of our loan or equity interest only in the VIE.

For the VIE types above, we do not consolidate the VIE because we do not have the ability to control the activities (such as the day-to-day healthcare operations of our borrowers or investees) that most significantly impact the VIE's economic performance. As of December 31, 2014, we were not required to provide financial support through a liquidity arrangement or otherwise to our unconsolidated VIEs, including circumstances in which it could be exposed to further losses (e.g., cash short falls).

Typically, our loans are collateralized by assets of the borrower (some assets of which are on the premises of facilities owned by us) and further supported by limited guarantees made by certain principals of the borrower.

See Note 3 for additional description of the nature, purpose and activities of our more significant VIEs and interests therein.

Investments in Unconsolidated Entities: Investments in entities in which we have the ability to influence (but not control) are typically accounted for by the equity method. Under the equity method of accounting, our share of the investee's earnings or losses are included in our consolidated results of operations, and we have elected to record our share of such investee's earnings or losses on a 90-day lag basis. The initial carrying value of investments in unconsolidated entities is based on the amount paid to purchase the interest in the investee entity. Subsequently, our investments are increased by the equity in our investee earnings and decreased by cash distributions from our investees. To the extent that our cost basis is different from the basis reflected at the investee entity level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in our share of equity in earnings of the investee. We evaluate our equity method investments for impairment based upon a comparison of the fair value of the equity method investment to its carrying value. If we determine a decline in the fair value of an investment in an unconsolidated investee entity below its carrying value is other - than - temporary, an impairment is recorded.

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

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

Certain leases may provide for additional rents contingent upon a percentage of the tenant's revenue in excess of specified base amounts/thresholds (percentage rents). Percentage rents are recognized in the period in which revenue thresholds are met. Rental payments received prior to their recognition as income are classified as deferred revenue. We also receive additional rent (contingent rent) under some leases based on increases in the consumer price index or when the consumer price index exceeds the annual minimum percentage increase in the lease. Contingent rents are recorded as billed rent revenue in the period earned.

We use direct finance lease accounting ("DFL") to record rent on certain leases deemed to be financing leases, per accounting rules, rather than operating leases. For leases accounted for as DFLs, the future minimum lease payments are recorded as a receivable. The difference between the future minimum lease payments and the estimated residual values less the cost of the properties is recorded as unearned income. Unearned income is deferred and amortized to income over the lease terms to provide a constant yield when collectability of the lease payments is reasonably assured. Investments in DFLs are presented net of unamortized and unearned income.

In instances where we have a profits or equity interest in our tenant's operations, we record income equal to our percentage interest of the tenant's profits, as defined in the lease or tenant's operating agreements, once annual thresholds, if any, are met.

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

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

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

Tenant payments for certain taxes, insurance, and other operating expenses related to our facilities (most of which are paid directly by our tenants to the government or related vendor) are recorded net of the respective expense as generally our leases are "triple-net" leases, with terms requiring such expenses to be paid by our tenants. Failure on the part of our tenants to pay such expense or to pay late would result in a violation of the lease agreement, which could lead to an event of default, if not cured.

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

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

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

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

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

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

rate of interest. We classify real estate assets as held for sale when we have commenced an active program to sell the assets, and in the opinion of management, it is probable the asset will be sold within the next 12 months.

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

Depreciation is calculated on the straight-line method over the useful lives of the related real estate and other assets. Our weighted-average useful lives at December 31, 2014 are as follows:

Buildings and improvements	37.9 years
Tenant lease intangibles	17.9 years
Leasehold improvements	22.3 years
Furniture, equipment and other	6.5 years

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

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

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

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

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

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

Income Taxes: We conduct our business as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code. To qualify as a REIT, we must meet

certain organizational and operational requirements, including a requirement to distribute to stockholders at least 90% of our REIT's ordinary taxable income. As a REIT, we generally are not subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service ("IRS") grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we intend to operate in such a manner so that we will remain qualified as a REIT for federal income tax purposes.

Our financial statements include the operations of taxable REIT subsidiaries ("TRS"), including MPT Development Services, Inc. ("MDS") and MPT Covington TRS, Inc. ("CVT"), along with around 30 others, which are single member LLCs that are disregarded for tax purposes and are reflected in the tax returns of MDS. Our TRS entities are not entitled to a dividends paid deduction and are subject to federal, state, and local income taxes. Our TRS entities are authorized to provide property development, leasing, and management services for third-party owned properties, and they make loans to and/or investments in our lessees.

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

Stock-Based Compensation: We adopted the 2013 Equity Incentive Plan (the "Equity Incentive Plan") during the second quarter of 2013. Awards of restricted stock, stock options and other equity-based awards with service conditions are amortized to compensation expense over the vesting periods (typically three years), using the straight-line method. Awards of deferred stock units vest when granted and are charged to expense at the date of grant. Awards that contain market conditions are amortized to compensation expense over the derived vesting periods, which correspond to the periods over which we estimate the awards will be earned, which generally range from three to five years, using the straight-line method. Awards with performance conditions are amortized using the straight-line method over the service period in which the performance conditions are measured, adjusted for the probability of achieving the performance conditions.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or debt that directly relate to the offerings are deferred and netted against proceeds received from the offering. External costs incurred in connection with anticipated financings and refinancings of debt are generally capitalized as deferred financing costs in other assets and amortized over the lives of the related debt as an addition to interest expense. For debt with defined principal re-payment terms, the deferred costs are amortized to produce a constant effective yield on the loan (interest method). For debt without defined principal repayment terms, such as revolving credit agreements, the deferred costs are amortized on the straight-line method over the term of the debt. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to borrowers are recognized as a reduction in interest income over the life of the loan.

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

Certain of our U.S. subsidiaries will enter into short-term transactions denominated in foreign currency from time to time. Gains or losses resulting from these foreign currency transactions are translated into U.S. dollars at the rates of exchange prevailing at the dates of the transactions. The effects of transaction gains or losses are included in other income in the consolidated statements of income.

Derivative Financial Investments and Hedging Activities: During our normal course of business, we may use certain types of derivative instruments for the purpose of managing interest rate

and/or foreign currency risk. We record our derivative and hedging instruments at fair value on the balance sheet. Changes in the estimated fair value of derivative instruments that are not designated as hedges or that do not meet the criteria for hedge accounting are recognized in earnings. For derivatives designated as cash flow hedges, the change in the estimated fair value of the effective portion of the derivative is recognized in accumulated other comprehensive income (loss), whereas the change in the estimated fair value of the ineffective portion is recognized in earnings. For derivatives designated as fair value hedges, the change in the estimated fair value of the effective portion of the derivatives offsets the change in the estimated fair value of the hedged item, whereas the change in the estimated fair value of the ineffective portion is recognized in earnings.

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

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

Level 1 — quoted prices for *identical* instruments in active markets;

Level 2 — quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

Level 3 — fair value measurements derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable.*

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

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

Fair Value Option Election: For our equity interest in Ernest and related loans (as more fully described in Note 3), we have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interest or loans.

Recent Accounting Developments: In 2014, the FASB issued *Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08"), which raises the threshold for disposals to qualify as discontinued operations. A discontinued operation is defined as: (1) a component of an entity or group of components that has been disposed of or classified as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results; or (2) an acquired business that is classified as held for sale on the acquisition date. ASU 2014-08 also requires additional disclosures regarding discontinued operations, as well as material disposals that do not meet the definition of discontinued operations. We adopted ASU 2014-08 for the quarter ended March 31, 2014. The application of this guidance is prospective from the date of adoption and should result in our not generally having to reflect property disposals as discontinued operations in the future — such as with the La Palma and Bucks property disposals in 2014.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring

a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2016, and early adoption is not permitted. We are currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on our financial position and results of operations.

In January 2015, the FASB issued ASU No. 2015-1, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* ("ASU 2015-01"). ASU 2015-01 eliminates from GAAP the concept of extraordinary items. ASU 2015-01 is effective for fiscal years and interim periods beginning after December 15, 2015. We early adopted ASU 2015-01 as of December 31, 2014; the adoption of ASU 2015-01 did not have a material impact on our consolidated financial position or results of operations.

Reclassifications: Certain reclassifications have been made to the condensed consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no impact on stockholders' equity or net income.

3. REAL ESTATE AND LOANS RECEIVABLE

ACQUISITIONS

We acquired the following assets:

	2014	2013	2012
Assets Acquired	(Amounts in thousands)		
Land	$ 22,569	$ 41,473	$ 518
Building	241,242	439,030	8,942
Intangible lease assets – subject to amortization (weighted average useful life of 18.2 years in 2014, 21.0 years in 2013 and 15.0 years in 2012)	22,513	38,589	1,040
Net investments in direct financing leases	–	110,580	310,000
Mortgage loans	–	20,000	200,000
Other loans	447,664	5,250	95,690
Other assets	33,708	–	5,300
Total assets acquired	$ 767,696	$ 654,922	$ 621,490

2014 ACTIVITY

MEDIAN TRANSACTION

On October 15, 2014, we entered into definitive agreements pursuant to which we will acquire substantially all the real estate assets of Median Kliniken S.à r.l. ("Median"), a German provider of post-acute and acute rehabilitation services, for an aggregate purchase price of approximately €705 million, (or $881 million based on exchange rates at that time). The portfolio includes 38 rehabilitation hospitals and two acute care hospitals located across 11 states in the Federal Republic of Germany.

The transaction is structured using a two step process in partnership with affiliates of Waterland Private Equity Fund V C.V. ("Waterland"). In the first step, which was completed on December 15, 2014, an affiliate of Waterland acquired 94.9% of the outstanding equity interest in Median pursuant to a stock purchase agreement with Median's current owners. We indirectly acquired the remaining 5.1% of the outstanding equity interest and provided or committed to provide interim acquisition loans to Waterland and Median in aggregate amounts of approximately €425 million ($531 million), of which €349 million had been advanced at December 31, 2014. These interim loans we make will bear interest at a rate similar to the initial lease rate under the planned sale and leaseback transactions described below.

In a series of transactions we expect will be completed in early 2015, we will acquire substantially all of Median's real estate assets under a sale and leaseback transaction. We will either assume or novate any third party debt attributable to the real estate assets acquired or provide the cash required to repay the third party debt. The purchase price we are required to pay for the real estate assets will be offset, pro rata, against amounts of debt that we assume or have provided cash to repay, and/or against the amounts of loans previously made. The sale and leaseback transactions are subject to customary real estate, regulatory and other closing conditions, including waiver of any statutory pre-emption rights by local municipalities. To the extent we are unable to acquire the entire Median portfolio as contemplated, we will have a right of first refusal with regard to any new real estate properties owned or acquired by Median.

Upon our acquisition of the real estate assets, we will lease them back to Median under a 27 year master lease, with annual escalators at the greater of one percent or 70% of the German consumer price index.

An affiliate of Waterland controls RHM Klinik-und Altenheimbetriebe GmbH & Co. KG ("RHM"), the operator and lessee of the other German facilities that we own.

In the fourth quarter of 2014, we acquired three RHM rehabilitation facilities in Germany for an aggregate purchase price of €63.6 million (approximately $81 million) including approximately €3.0 million (or approximately $3.6 million) of transfer and other taxes that have been expensed as acquisition costs. These facilities include: Bad Mergentheim (211 beds), Bad Tolz (248 beds), and Bad Liebenstein (271 beds). All three properties are included under our existing master lease agreement with RHM as described below.

On October 31, 2014, we acquired a 237-bed acute care hospital, associated medical office buildings, and a behavioral health facility in Sherman, Texas for $32.5 million. Alecto Healthcare Services ("Alecto") is the tenant and operator pursuant to a 15-year lease agreement with three five-year extension options. In addition we agreed to fund a working capital loan up to $7.5 million, all of which was funded at December 31, 2014, and we obtained a 20% interest in the operator of the facility.

On September 19, 2014, we acquired an acute care hospital in Fairmont, West Virginia for an aggregate purchase price of $15 million from Alecto. The facility was simultaneously leased back to the seller under a 15-year initial term with three five-year extension options. In addition, we made a $5 million working capital loan to the tenant with a five year term and a commitment to fund up to $5 million in capital improvements. Finally, we obtained a 20% interest in the operator of this facility.

On July 1, 2014, we acquired an acute care hospital in Peasedown St. John, United Kingdom from Circle Health Ltd., through its subsidiary Circle Hospital (Bath) Ltd. The sale/leaseback transaction, excluding any transfer taxes, is valued at approximately £28.3 million (or approximately $48.0 million based on exchange rates at that time). The lease has an initial term of 15-years with a tenant option to extend the lease for an additional 15 years. The lease includes annual rent increases, which will equal the year-over-year change in the retail price index with a floor of 2% and a cap of 5%. With the transaction, we incurred approximately £1.1 million (approximately $1.9 million) of transfer and other taxes that have been expensed as acquisition costs.

On March 31, 2014, we acquired a general acute care hospital and an adjacent parcel of land for an aggregate purchase price of $115 million from a joint venture of LHP Hospital Group, Inc. and Hackensack University Medical Center Mountainside. The facility was simultaneously leased back to the seller under a lease with a 15-year initial term with a 3-year extension option, followed by a further 12-year extension option at fair market value. The lease provides for consumer price-indexed annual rent increases, subject to a specified floor and ceiling. The lease includes a customary right of first refusal with respect to a subsequent proposed sale of the facility.

From the respective acquisition dates in 2014 through that year end, the 2014 acquisitions contributed $12.4 million and $8.7 million of revenue and income (excluding related acquisition and financing expenses) for the period ended December 31, 2014. In addition, we incurred $26.4 million of acquisition related expenses in 2014, of which $25.2 million (including $5.8 million in transfer taxes as part of our RHM, Circle, and Median transactions) related to acquisitions consummated as of December 31, 2014.

The purchase price allocations attributable to the 2014 acquisitions are preliminary. When all relevant information is obtained, resulting changes, if any, to our provisional purchase price allocation will be retrospectively adjusted to reflect new information obtained about the facts and circumstances that existed as of the respective acquisition dates that, if known, would have affected the measurement of the amounts recognized as of those dates.

2013 ACTIVITY

RHM PORTFOLIO ACQUISITION

On November 29, 2013, we acquired 11 rehabilitation facilities in the Federal Republic of Germany from RHM for an aggregate purchase price, excluding €9 million applicable transfer taxes, of €175 million (or $237.8 million based on exchange rates at that time). Each of the facilities are leased to RHM under a master lease providing for a term of 27 years and for annual rent increases of 2.0% from 2015 through 2017, and of 0.5% thereafter. On December 31, 2020 and every three years thereafter, rent will be increased to reflect 70% of cumulative increases in the German consumer price index.

On December 12, 2013, we acquired the real estate of Dallas Medical Center in Dallas, Texas from affiliates of Prime for a purchase price of $25 million and leased the facility to Prime with an initial 10-year lease term under the master lease agreement, plus two renewal options of five years each. This lease is accounted for as a direct financing lease.

On September 26, 2013, we acquired three general acute care hospitals from affiliates of IASIS for a combined purchase price of $281.3 million. Each of the facilities were leased back to IASIS under leases with initial 15-year terms plus two renewal options of five years each, and consumer price-indexed rent increases limited to a 2.5% ceiling annually. The lessees have a right of first refusal option with respect to subsequent proposed sales of the facilities. All of our leases with affiliates of IASIS will be cross-defaulted with each other. In addition to the IASIS

acquisitions transactions, we amended our lease with IASIS for the Pioneer Valley Hospital in West Valley City, Utah, which extended the lease to 2028 from 2019 and adjusted the rent.

On July 18, 2013, we acquired the real estate of Esplanade Rehab Hospital in Corpus Christi, Texas (now operating as Corpus Christi Rehabilitation Hospital). The total purchase price was $10.5 million including $0.5 million for adjacent land. The facility is leased to an affiliate of Ernest under the master lease agreement entered into in 2012 that initially provided for a 20-year term with three five-year extension options, plus consumer price-indexed rent increases, limited to a 2% floor and 5% ceiling annually. This lease is accounted for as a DFL. In addition, we made a $5.3 million loan on this property with terms similar to the lease terms.

On June 11, 2013, we acquired the real estate of two acute care hospitals in Kansas from affiliates of Prime for a combined purchase price of $75 million and leased the facilities to the operator under a master lease agreement. The master lease is for 10 years and contains two renewal options of five years each, and the rent increases annually based on the greater of the consumer price-index or 2%. This lease is accounted for as a DFL.

On December 31, 2013, we provided a $20 million mortgage financing to Alecto for the 204-bed Olympia Medical Center.

From the respective acquisition dates, in 2013 through that year-end, the 2013 acquisitions contributed $13.6 million and $10.6 million of revenue and income (excluding related acquisition and financing expenses) for the period ended December 31, 2013. In addition, we incurred $19.5 million of acquisition related expenses in 2013, of which $18.0 million (including $12 million in transfer taxes as a part of the RHM acquisition) related to acquisitions consummated as of December 31, 2013.

2012 ACTIVITY

On February 29, 2012, we made loans to and acquired assets from Ernest for a combined purchase price and investment of $396.5 million (“Ernest Transaction”).

REAL ESTATE ACQUISITION AND MORTGAGE LOAN FINANCING

Pursuant to a definitive real property asset purchase agreement, we acquired from Ernest and certain of its subsidiaries (i) a portfolio of five rehabilitation facilities (including a ground lease interest relating to a community-based acute rehabilitation facility in Wyoming), (ii) seven long-term acute care facilities located in seven states and (iii) undeveloped land in Provo, Utah (collectively, the “Acquired Facilities”) for an aggregate purchase price of $200 million. The Acquired Facilities are leased to subsidiaries of Ernest pursuant to a master lease agreement. The master lease agreement has a 20-year term with three five-year extension options and provided for an initial rental rate of 9%, with consumer price-indexed increases, limited to a 2% floor and 5% ceiling annually thereafter. In addition, we made Ernest a $100 million loan secured by a first mortgage interest in four subsidiaries of Ernest, which has terms similar to the leasing terms described above.

ACQUISITION LOAN AND EQUITY CONTRIBUTION

Through an affiliate of one of our TRSs, we made investments of approximately $96.5 million in Ernest Health Holdings, LLC, which is the owner of Ernest. These investments are structured as a $93.2 million acquisition loan and a $3.3 million equity contribution.

The interest rate on the acquisition loan is 15%. Ernest is required to pay us a minimum of 6% and 7% of the loan amount in years one and two, respectively, and 10% thereafter, although there are provisions in the loan agreement that are expected to result in full payment of the 15% preference when funds are sufficient. Any of the 15% in excess of the minimum that is not paid may be accrued, interest compounded, and paid upon the occurrence of a capital or liquidity event and is payable at maturity. The loan may be prepaid without penalty at any time.

On July 3, 2012, we funded a $100 million mortgage loan secured by the real property of Centinela Hospital Medical Center. Centinela is a 369 bed acute care facility that is operated by Prime. This mortgage loan is cross-defaulted with other mortgage loans to Prime and certain master lease agreements. The initial term of this mortgage loan runs through 2022.

On September 19, 2012, we acquired the real estate of the 380 bed St. Mary’s Regional Medical Center, an acute care hospital in Reno, Nevada for $80 million and the real estate of the 140 bed Roxborough Memorial Hospital in Pennsylvania for $30 million. The acquired facilities are leased to Prime pursuant to a master lease agreement, which is more fully described in the Leasing Operations section.

On December 14, 2012, we acquired the real estate of a 40 bed long-term acute care hospital in Hammond, Louisiana for $10.5 million and leased the facility to the operator under a 15-year lease, with three five-year extension options. The rent escalates annually based on consumer price indexed increases. As part of this transaction, we made a secured working capital loan of $2.5 million as well as a revolving loan of up to $2.0 million. In addition, we made a $2.0 million equity investment for a 25% equity ownership in the operator of this facility.

From the respective acquisition dates in 2012 through that year end, these 2012 acquisitions contributed $46.3 million and $46.1 million of revenue and income (excluding related acquisition expenses) for the period ended December 31, 2012. In addition, we incurred $5.4 million of acquisition related expenses in 2012, of which $5.1 million related to acquisitions consummated as of December 31, 2012.

PRO FORMA INFORMATION

The following unaudited supplemental pro forma operating data is presented for the year ended December 31, 2014 and 2013, as if each acquisition (which excludes the Median loan advancements) was completed on January 1, 2013. The unaudited supplemental pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transactions had been completed as set forth above, nor do they purport to represent our results of operations for future periods (in thousands, except per share amounts).

	For the Year Ended December 31, (unaudited)	
	2014	2013
Total revenues	$ 329,258	$ 315,780
Net income	67,150	144,545
Net income per share	$ 0.38	$ 0.84

DEVELOPMENT ACTIVITIES

During 2014, we completed construction and began recording rental income on the following facilities:

Northern Utah Rehabilitation Hospital — This $19 million inpatient rehabilitation facility located in South Ogden, Utah is leased to Ernest pursuant to the 2012 master lease.

Oakleaf Surgical Hospital — This approximately $30 million acute care facility located in Altoona, Wisconsin. This facility is leased to National Surgical Hospitals for 15 years and contains two renewal options of five years each plus an additional option for nearly another five years, and the rent increases annually based on changes in the consumer price-index.

First Choice ER (a subsidiary of Adeptus Health) — We completed 17 acute care facilities for this tenant during 2014 totaling approximately $83.0 million. These facilities are leased pursuant to the master lease entered into in 2013.

On August 15, 2014 we executed a binding $8.7 million agreement with Health Care Authority for University of Alabama Birmingham (UAB) Medical West, an Affiliate of UAB Health System for the development of a freestanding emergency department and a medical office building. The facilities will be leased to Medical West under 15 year initial lease terms with four extension options of five years each.

On July 29, 2014, we executed a binding $150 million agreement with Adeptus Health for the development of acute care hospitals and free-standing emergency departments. These facilities will be leased to Adeptus Health pursuant to a new master lease agreement that has a 15-year initial term with three extension options of five years each that provides for annual rent increases based on changes in the consumer price index with a 2% minimum. This new master lease agreement is cross-defaulted with the original master lease executed with First Choice ER in 2013. We began construction on seven of these facilities in the 2014 second half pursuant to the master funding and development agreement.

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

Property	Location	Property Type	Operator	Commit-ment	Costs Incurred as of 12/31/14	Estimated Completion Date
UAB Medical West	Hoover, AL	Acute Care Hospital & MOB	Medical West, an affilliate of UAB	$ 8,653	$ 1,973	2Q 2015
First Choice ER-Summerwood	Houston, TX	Acute Care Hospital	Adeptus Health	6,015	2,560	2Q 2015
First Choice ER- Ft. Worth Avondale – Haslet	Ft. Worth, TX	Acute Care Hospital	Adeptus Health	4,780	871	2Q 2015
First Choice ER-Carrollton	Carrollton, TX	Acute Care Hospital	Adeptus Health	35,820	15,629	3Q 2015
First Choice ER-Chandler	Chandler, AZ	Acute Care Hospital	Adeptus Health	5,049	895	3Q 2015
First Choice ER-Converse	Converse, TX	Acute Care Hospital	Adeptus Health	5,754	1,141	3Q 2015
First Choice ER-Denver 48th	Denver, CO	Acute Care Hospital	Adeptus Health	5,123	44	3Q 2015
First Choice ER-McKinney	McKinney, TX	Acute Care Hospital	Adeptus Health	4,750	50	3Q 2015
First Choice Emergency Rooms	Various	Acute Care Hospital	Adeptus Health	84,423	—	Various
				$ 160,367	$ 23,163	

DISPOSALS

2014 ACTIVITY

On December 31, 2014, we sold our La Palma facility for $12.5 million, resulting in a gain of $2.9 million. Due to this sale, we wrote-off $1.3 million of straight-line rent receivables.

On May 20, 2014, the tenant of our Bucks facility gave notice of their intent to exercise the lease's purchase option. Pursuant to this purchase option, the tenant acquired the facility on August 6, 2014 for $35 million. We wrote down this facility to fair market value less cost to sell, resulting in a $3.1 million real estate impairment charge in the 2014 second quarter.

The sale of the Bucks and La Palma facilities was not a strategic shift in our operations, and therefore the results of the Bucks and La Palma operations have not been reclassified as discontinued operations.

2013 ACTIVITY

On November 27, 2013, we sold the real estate of an inpatient rehabilitation facility, Warm Springs Rehabilitation Hospital of San Antonio, for $14 million, resulting in a gain on sale of $5.6 million.

On April 17, 2013, we sold two long-term acute care hospitals, Summit Hospital of Southeast Arizona and Summit Hospital of Southeast Texas, for total proceeds of $18.5 million, resulting in a gain of $2.1 million.

2012 ACTIVITY

On December 27, 2012, we sold our Huntington Beach facility for $12.5 million, resulting in a gain of $1.9 million. Due to this sale, we wrote-off $0.7 million of straight-line rent receivables.

During the third quarter of 2012, we entered into a definitive agreement to sell the real estate of two LTACH facilities, Thornton and New Bedford, to Vibra for total cash proceeds of $42 million. The sale of Thornton was completed on September 28, 2012, resulting in a gain of $8.4 million. Due to this sale, we wrote-off $1.6 million in straight-line rent receivables. The sale of New Bedford was completed on October 22, 2012, resulting in a gain of $7.2 million. Associated with this sale, we wrote-off $4.1 million in straight-line rent receivables in the fourth quarter 2012.

On August 21, 2012, we sold our Denham Springs facility for $5.2 million, resulting in a gain of $0.3 million.

On June 15, 2012, we sold the HealthSouth Rehabilitation Hospital of Fayetteville in Fayetteville, Arkansas for $16 million, resulting in a loss of $1.4 million. In connection with this sale, HealthSouth Corporation agreed to extend the lease on our Wichita, Kansas property, which is now set to end in March 2022.

For each of the disposals in 2013 and 2012 (which occurred prior to the accounting change discussed in Note 1 under the heading "Recent Accounting Developments"), the operating results of these facilities for the current and all prior periods have been included in discontinued operations.

INTANGIBLE ASSETS

At December 31, 2014 and 2013, our intangible lease assets were $108.9 million ($87.7 million, net of accumulated amortization) and $90.5 million ($74.9 million, net of accumulated amortization), respectively.

We recorded amortization expense related to intangible lease assets of $7.0 million, $4.0 million, and $3.9 million in 2014, 2013, and 2012, respectively, and expect to recognize amortization expense from existing lease intangible assets as follows: (amounts in thousands)

For the Year Ended December 31:	
2015	$ 6,438
2016	6,397
2017	6,387
2018	6,326
2019	6,271

As of December 31, 2014, capitalized lease intangibles have a weighted average remaining life of 17.9 years.

LEASING OPERATIONS

All of our leases are accounted for as operating leases except we are accounting for 14 Ernest facilities and five Prime facilities as DFLs. The components of our net investment in DFLs consisted of the following (dollars in thousands):

	As of December 31, 2014
Minimum lease payments receivable	$ 1,607,024
Estimated residual values	211,888
Less unearned income	(1,379,396)
Net investment in direct financing leases	$ 439,516

Minimum rental payments due to us in future periods under operating leases and DFLs, which have non-cancelable terms extending beyond one year at December 31, 2014, are as follows: (amounts in thousands)

	Total Under Operating Leases	Total Under DFLs	Total
2015	$ 196,864	$ 43,386	$ 240,250
2016	198,265	44,254	242,519
2017	198,807	45,139	243,946
2018	199,728	46,041	245,769
2019	199,857	46,962	246,819
Thereafter	1,838,346	380,743	2,219,089
	$ 2,831,867	$ 606,525	$ 3,438,392

On July 3, 2012, we entered into master lease agreements with certain subsidiaries of Prime, which replaced the then current leases with the same tenants covering the same properties. The master leases are for 10 years and contain two renewal options of five years each. The initial lease rate is generally consistent with the blended average rate of the prior lease agreements. However, the annual escalators, which in the prior leases were limited, have been increased to 100% of consumer price index increases, along with a minimum floor. The master leases include repurchase options substantially similar to those in the prior leases, including provisions establishing minimum repurchase prices equal to our total investment.

MONROE FACILITY

As of December 31, 2014 and 2013, our net investment (exclusive of the related real estate) in Monroe was as follows:

	As of December 31, 2014	As of December 31, 2013
Loans	$ –	$ 31,341
Less: Loan impairment reserve	–	(12,000)
Loans, net	–	19,341
Interest, rent and other receivables	–	20,972
Net investment	$ –	$ 40,313

Due to the performance and cash flow shortages of the previous tenant, we stopped recording interest income on the Monroe loan and unbilled rent revenue in 2010. In addition, we stopped recording billed rental revenue on this property in April 1, 2013. During 2014, the previous operator of our Monroe facility continued to underperform and became further behind on payments to us as required by the real estate lease agreement and working capital loan agreement. In August 2014, this operator filed for bankruptcy. As part of the bankruptcy process and to help with a smoother transition of the property to a new operator, we agreed to provide up to $5 million in debtor-in-possession financing of which all was funded by December 31, 2014. Based on these new developments and the fair value of our real estate and the underlying collateral of our loan (using Level 2 inputs), we recorded a $47.0 million impairment charge in 2014.

Effective December 31, 2014, the bankruptcy court approved the purchase by Prime of the assets of the prior operator. Prime will lease the facility from us pursuant to terms under an existing master lease. The initial annual lease payment is approximately $2.5 million, and Prime is current on its rent through February 2015. At December 31, 2014, our investment in Monroe is approximately $36 million, which we believe is fully recoverable.

FLORENCE FACILITY

On March 6, 2013, the tenant of our $27.4 million facility in Phoenix, Arizona filed for Chapter 11 bankruptcy. At December 31, 2014, we have approximately $1 million of receivables outstanding but the tenant continues to pay us in accordance with bankruptcy orders. In addition, we have a letter of credit for approximately $1.2 million to cover any rent and other monetary payments not paid. We have entered into a non-binding letter of intent with the stalking horse bidder for the assumption of the existing lease, with certain non-monetary amendments. Although no assurances can be made that we will not have any impairment charges in the future, we believe our investment in Florence at December 31, 2014, is fully recoverable.

GILBERT FACILITY

In the first quarter of 2014, the tenant of our facility in Gilbert, Arizona filed for Chapter 11 bankruptcy; however, we sent notice of termination of the lease prior to the bankruptcy filing. As a result of the lease terminating, we recorded a charge of approximately $1 million to reserve against the straight-line rent receivables. In addition, we accelerated the amortization of the related lease intangible asset resulting in $1.1 million of additional expense in the 2014 first quarter. The tenant has continued to perform its monetary obligations and we have agreed to the terms of an amended lease upon the tenant's bankruptcy exit. At December 31, 2014, we have no outstanding receivables. Although no assurances can be made that we will not have any impairment charges or write-offs of receivables in the future, we believe our real estate investment in Gilbert of $14.1 million at December 31, 2014, is fully recoverable.

LOANS

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

	As of December 31, 2014		As of December 31, 2013	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
Mortgage loans	$ 397,594	10.5%	$ 388,756	10.0%
Acquisition loans	525,136	9.3%	109,655	14.7%
Working capital and other loans	48,031	10.4%	51,335	10.8%
	$ 970,761		$ 549,746	

Our mortgage loans cover eight of our properties with three operators.

Other loans typically consist of loans to our tenants for acquisitions and working capital purposes. At December 31, 2014, acquisition loans includes our $97.5 million loan to Ernest plus $422.5 million related to the Median transaction in 2014.

On March 1, 2012, pursuant to our convertible note agreement, we converted $1.6 million of our $5.0 million convertible note into a 9.9% equity interest in the operator of our Hoboken University Medical Center facility. At December 31, 2014, $3.4 million remains outstanding on the convertible note, and we retain the option, to convert this remainder into an additional 15.1% equity interest in the operator.

CONCENTRATION OF CREDIT RISKS

For the years ended December 31, 2014 and 2013, revenue from affiliates of Prime (including rent and interest from mortgage loans) accounted for 26.9% and 32.0%, respectively, of total revenue. From an investment concentration perspective, Prime represented 20.0% and 24.5% of our total assets at December 31, 2014 and 2013, respectively.

For the year ended December 31, 2014 and 2013, revenue from affiliates of Ernest (including rent and interest from mortgage and acquisition loans) accounted for 18.3% and 20.2% of total revenue, respectively. From an investment concentration perspective, Ernest represented 13.0% and 15.9% of our total assets at December 31, 2014 and 2013, respectively.

For the year ended December 31, 2014, Median represented 11.3% of our total assets at December 31, 2014.

On an individual property basis, we had no investment of any single property greater than 4% of our total assets as of December 31, 2014.

From a global geographic perspective, approximately 80% of our total assets are in the United States while 20% reside in Europe as of December 31, 2014, up from 9% in 2013. Revenue from our European investments was $26.0 million and $1.8 million in 2014 and 2013, respectively.

From a United States geographic perspective, investments located in California represented 14.6% of our total assets at December 31, 2014, down from 18.7% in the prior year. Investments located in Texas represented 20.2% of our total assets at December 31, 2014, down from 22.7% in the prior year.

RELATED PARTY TRANSACTIONS

Lease and interest revenue earned from tenants in which we have an equity interest in were $101.8 million, $70.0 million and $54.3 million in 2014, 2013 and 2012, respectively.

4. DEBT

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

	As of December 31, 2014		As of December 31, 2013	
	Balance	Interest Rate	Balance	Interest Rate
Revolving credit facility	$ 593,490	Variable	$ 105,000	Variable
2006 Senior Unsecured Notes	125,000	Various	125,000	Various
2011 Senior Unsecured Notes	450,000	6.875%	450,000	6.875%
2012 Senior Unsecured Notes:				
Principal amount	350,000	6.375%	350,000	6.375%
Unamortized premium	2,522		2,873	
	352,522		352,873	
2013 Senior Unsecured Notes(A)	241,960	5.75%	274,860	5.75%
2014 Senior Unsecured Notes	300,000	5.50%	—	
Term loans	138,682	Various	113,948	Various
	$ 2,201,654		$ 1,421,681	

As of December 31, 2014, principal payments due on our debt (which exclude the effects of any discounts or premiums recorded) are as follows:

2015	$ 283
2016	125,298
2017	320
2018	606,271
2019	125,000
Thereafter	1,341,960
Total	$ 2,199,132

(A) These notes are Euro-denominated and reflect the exchange rates at December 31, 2014 and 2013, respectively.

REVOLVING CREDIT FACILITY

On June 19, 2014, we closed on a $900 million senior unsecured credit facility (the "Credit Facility"). The Credit Facility was comprised of a $775 million senior unsecured revolving credit facility (the "Revolving credit facility") and a $125 million senior unsecured term loan facility (the "Term Loan"). The Credit Facility had an accordion feature that allowed us to expand the size of the facility by up to $250 million through increases to the Revolving credit facility, Term Loan, both or as a separate term loan tranche. The Credit Facility replaced our previous $400 million unsecured revolving credit facility and $100 million unsecured term loan. This transaction resulted in a refinancing charge of approximately $0.3 million in the 2014 second quarter.

On October 17, 2014, we entered into an amendment to our Credit Facility to exercise the $250 million accordion on the Revolving credit facility. This amendment increased the Credit Facility to $1.15 billion and added a new accordion feature that allows us to expand our credit facility by another $400 million.

The Revolving credit facility matures in June 2018 and can be extended for an additional 12 months at our option. The Revolving credit facility's interest rate was (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Eurodollar rate plus 1.00%, plus a spread that was adjustable from 0.70% to 1.25% based on current total leverage, or (2) LIBOR plus a spread that was adjustable from 1.70% to 2.25% based on current total leverage. In addition to interest expense, we were required to pay a quarterly commitment fee on the undrawn portion of the revolving credit facility, ranging from 0.25% to 0.35% per year.

In November 2014, we received an upgrade to our credit rating resulting in an improvement in our interest rate spreads and commitment fee rates. Effective December 10, 2014, the Revolving credit facility's interest rate is (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Eurodollar rate plus 1.00% plus a fixed spread of 0.40% or (2) LIBOR plus a fixed spread of 1.40%. In regards to commitment fees, we now pay based on the total facility at a rate of 0.30% per year.

At December 31, 2014 and 2013, we had $593.5 million and $105.0 million, respectively, outstanding on the Revolving credit facility.

At December 31, 2014, our availability under our Revolving credit facility was approximately $432 million. The weighted average interest rate on this facility was 2.2% and 3.2% for 2014 and 2013, respectively.

2014 SENIOR UNSECURED NOTES

On April 17, 2014, we completed a $300 million senior unsecured notes offering ("2014 Senior Unsecured Notes"). Interest on the notes is payable semi-annually on May 1 and November 1 of each year. The 2014 Senior Unsecured Notes pay interest in cash at a rate of 5.50% per year. The notes mature on May 1, 2024. We may redeem some or all of the 2014 Senior Unsecured Notes at any time prior to May 1, 2019 at a "make-whole" redemption price. On or after May 1, 2019, we may redeem some or all of the notes at a premium that will decrease over time. In addition, at any time prior to May 1, 2017, we may redeem up to 35% of the aggregate principal amount of the 2014 Senior Unsecured Notes using the proceeds of one or more equity offerings. In the event of a change of control, each holder of the 2014 Senior Unsecured Notes may require us to repurchase some or all of our 2014 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount of the 2014 Senior Unsecured Notes plus accrued and unpaid interest to the date of purchase.

2013 SENIOR UNSECURED NOTES

On October 10, 2013, we completed the 2013 Senior Unsecured Notes offering for €200 million. Interest on the Notes is payable semi-annually on April 1 and October 1 of each year. The 2013 Senior Unsecured Notes pay interest in cash at a rate of 5.750% per year. The notes mature on October 1, 2020. We may redeem some or all of the 2013 Senior Unsecured Notes at any time prior to October 1, 2016 at a "make-whole" redemption price. On or after October 1, 2016, we may redeem some or all of the Notes at a premium that will decrease over time. In addition, at any time prior to October 1, 2016, we may redeem up to 35% of the aggregate principal amount of the 2013 Senior Unsecured Notes using the proceeds of one or more equity offerings. In the event of a change of control, each holder of the 2013 Senior Unsecured Notes may require us to repurchase some or all of our 2013 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount of the 2013 Senior Unsecured Notes plus accrued and unpaid interest to the date of purchase.

2012 SENIOR UNSECURED NOTES

On February 17, 2012, we completed a $200 million offering of senior unsecured notes ("2012 Senior Unsecured Notes") (resulting in net proceeds of $196.5 million, after underwriting discount). On August 20, 2013, we completed a $150 million tack on to the notes (resulting in net proceeds of $150.4 million, after underwriting discount). These 2012 Senior Unsecured Notes accrue interest at a fixed rate of 6.375% per year and mature on February 15, 2022. The 2013 tack on offering, was issued at a premium (price of 102%), resulting in an effective rate of 5.998%. Interest on these notes is payable semi-annually on February 15 and August 15 of each year. We may redeem some or all of the 2012 Senior Unsecured Notes at any time prior

to February 15, 2017 at a "make-whole" redemption price. On or after February 15, 2017, we may redeem some or all of the 2012 Senior Unsecured Notes at a premium that will decrease over time, plus accrued and unpaid interest to, but not including, the redemption date. In the event of a change of control, each holder of the 2012 Senior Unsecured Notes may require us to repurchase some or all of its 2012 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount plus accrued and unpaid interest to the date of purchase.

2011 SENIOR UNSECURED NOTES

On April 26, 2011, we closed on a private placement of $450 million aggregate principal amount of 6.875% Senior Notes due 2021 (the "2011 Senior Unsecured Notes") to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The 2011 Senior Unsecured Notes were subsequently registered under the Securities Act pursuant to an exchange offer. Interest on the 2011 Senior Unsecured Notes is payable semi-annually on May 1 and November 1 of each year. The 2011 Senior Unsecured Notes pay interest in cash at a rate of 6.875% per year and mature on May 1, 2021. We may redeem some or all of the 2011 Senior Unsecured Notes at any time prior to May 1, 2016 at a "make-whole" redemption price. On or after May 1, 2016, we may redeem some or all of the 2011 Senior Unsecured Notes at a premium that will decrease over time, plus accrued and unpaid interest to, but not including, the redemption date. In the event of a change of control, each holder of the 2011 Senior Unsecured Notes may require us to repurchase some or all of its 2011 Senior Unsecured Notes at a repurchase price equal to 101% of the aggregate principal amount plus accrued and unpaid interest to the date of purchase.

2006 SENIOR UNSECURED NOTES

During 2006, we issued $125.0 million of Senior Unsecured Notes (the "2006 Senior Unsecured Notes"). The 2006 Senior Unsecured Notes were placed in private transactions exempt from registration under the Securities Act. One of the issuances of the 2006 Senior Unsecured Notes totaling $65.0 million pays interest quarterly at a floating annual rate of three-month LIBOR plus 2.30% and can be called at par value by us at any time. This portion of the 2006 Senior Unsecured Notes matures in July 2016. The remaining issuances of 2006 Senior Unsecured Notes pays interest quarterly at a floating annual rate of three-month LIBOR plus 2.30% and can also be called at par value by us at any time. These remaining notes mature in October 2016.

During the second quarter 2010, we entered into an interest rate swap to manage our exposure to variable interest rates by fixing $65 million of our $125 million 2006 Senior Unsecured Notes, which started July 31, 2011 (date on which the interest rate turned variable) through maturity date (or July 2016), at a rate of 5.507%. We also entered into an interest rate swap to fix $60 million of 2006 Senior Unsecured Notes which started October 31, 2011 (date on which the related interest rate turned variable) through the maturity date (or October 2016) at a rate of 5.675%. At December 31, 2014 and 2013, the fair value of the interest rate swaps was $6.0 million and $9.0 million, respectively, which is reflected in accounts payable and accrued expenses on the consolidated balance sheets.

We account for our interest rate swaps as cash flow hedges. Accordingly, the effective portion of changes in the fair value of our swaps is recorded as a component of accumulated other comprehensive income/loss on the balance sheet and reclassified into earnings in the same period, or periods, during which the hedged transactions effects earnings, while any ineffective portion is recorded through earnings immediately. We did not have any hedge ineffectiveness from inception of our interest rate swaps through December 31, 2014 and therefore, there was no income statement effect recorded during the years ended December 31, 2014, 2013, and 2012. We do not expect any of the current losses included in accumulated other comprehensive loss to be reclassified into earnings in the next 12 months. At December 31, 2014 and 2013, we have posted $3.3 million and $5.0 million of collateral related to our interest rate swaps, respectively, which is reflected in other assets on our consolidated balance sheets.

TERM LOANS

As noted previously, we closed on the 2014 Term Loan for $125 million in the second quarter of 2014. The Term Loan matures in June 2019. The Term Loan's initial interest rate was (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Eurodollar rate plus 1.00%, plus a spread that was adjustable from 0.60% to 1.20% based on current total leverage, or (2) LIBOR plus a spread that was adjustable from 1.60% to 2.20% based on current total leverage. With the upgrade to our credit rating as discussed above, the Term Loan's interest rate, effective December 10, 2014, improved to (1) the higher of the "prime rate", federal funds rate plus 0.50%, or Euro dollar rate plus 1.00% plus a fixed spread of 0.65%, or (2) LIBOR plus a fixed spread of 1.65%. At December 31, 2014 and 2013, the interest rate in effect was 1.82% and 2.43%, respectively.

In connection with our acquisition of the Northland LTACH Hospital on February 14, 2011, we assumed a $14.6 million mortgage. The Northland mortgage loan requires monthly principal and interest payments based on a 30-year amortization period. The Northland mortgage loan has a fixed interest rate of 6.2%, matures on January 1, 2018 and can be prepaid after January 1, 2013, subject to a certain prepayment premium. At December 31, 2014, the remaining balance on this term loan was $13.7 million. The loan was collateralized by the real estate of the Northland LTACH Hospital, which had a net book value of $17.5 million and $18.0 million at December 31, 2014 and 2013, respectively.

OTHER COMMITMENTS

At December 31, 2014, we had commitments from a syndicate of lenders for a senior unsecured interim bridge loan facility with availability of up to $215 million. This facility served as a back stop for the partial financing of step 1 of the Median transaction. We recorded $1.4 million of expense in 2014 related to the fees incurred on this facility that was never utilized and expired in January 2015.

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 facility and Term Loan 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 December 31, 2014, the dividend restriction was 95% of normalized adjusted FFO. The indentures governing our senior unsecured notes also limit the amount of dividends we can pay based on the sum of 95% of funds from operations, proceeds of equity issuances and certain other net cash proceeds. Finally, our senior unsecured notes require us to maintain total unencumbered assets (as defined in the related indenture) of not less than 150% of our unsecured indebtedness.

In addition to these restrictions, the revolving credit facility and Term Loan contain customary financial and operating covenants, including covenants relating to our total leverage ratio, fixed charge coverage ratio, mortgage secured leverage ratio, recourse mortgage secured leverage ratio, consolidated adjusted net worth, facility leverage ratio, and unsecured interest coverage ratio. This facility also contains customary events of default, including among others, nonpayment of principal or interest, material inaccuracy of representations and failure to comply with our covenants. If an event of default occurs and is continuing under the facility, the entire outstanding balance may become immediately due and payable. At December 31, 2014, we were in compliance with all such financial and operating covenants.

5. INCOME TAXES

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax if we distribute 100% of our taxable income to our stockholders and satisfy certain other requirements. Income tax is paid directly by our stockholders on the dividends distributed to them. If our taxable income exceeds our dividends in a tax year, REIT tax rules allow us to designate dividends from the subsequent tax year in order to avoid current taxation on undistributed income. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through our taxable REIT subsidiaries is subject to applicable United States federal, state and local income taxes. Our international subsidiaries are also subject to income taxes in the jurisdictions in which they operate.

From our taxable REIT subsidiaries and our foreign operations, we incurred income tax expenses as follows (in thousands):

	For the Years Ended December 31,		
	2014	2013	2012
Current income tax (benefit) expense:			
Domestic	$ 114	$ 358	$ (44)
Foreign	225	158	—
	$ 339	$ 516	$ (44)
Deferred income tax (benefit) expense:			
Domestic	$ (23)	$ 210	$ 63
Foreign	24	—	—
	1	210	63
Income tax (benefit) expense	$ 340	$ 726	$ 19

The foreign provision (benefit) for income taxes is based on foreign loss before income taxes of $7.5 million in 2014 as compared with foreign loss before income taxes of $12.9 million in 2013 (primarily due to the real estate transfer taxes expensed in these periods).

The domestic provision (benefit) for income taxes is based on loss before income taxes of $20.9 million in 2014 from our taxable REIT subsidiaries (primarily due to impairment charges related to Monroe working capital loan) as compared with income before income taxes of $7.6 million in 2013 from our taxable REIT subsidiaries, and income before income taxes of $0.1 million in 2012 from our taxable REIT subsidiaries.

At December 31, 2014 and 2013, components of our deferred tax assets and liabilities were as follows (in thousands):

	2014	2013
Deferred tax liabilities:		
Property and equipment	$ —	$ (2,560)
Unbilled rent	(2,070)	(610)
Partnership investments	(3,468)	—
Other	(3,759)	(2,313)
Total deferred tax liabilities	(9,297)	(5,483)
Deferred tax assets:		
Loan loss and other reserves	$ —	$ 7,751
Operating loss and interest deduction carry forwards	19,546	2,283
Property and equipment	2,373	—
Partnership investments	—	805
Other	3,971	2,256
Total deferred tax assets	25,890	13,095
Valuation allowance	(16,831)	(7,843)
Total deferred tax assets	$ 9,059	$ 5,252
Net deferred tax (liability)	$ (238)	$ (231)

At December 31, 2014, we had U.S. federal and state NOLs of $50.7 million and $121.8 million, respectively, that expire in 2021 through 2034. At December 31, 2014, we had foreign NOLs of $6.7 million that may be carried forward indefinitely.

At December 31, 2014, we had U.S. federal alternative minimum tax credits of $0.1 million that may be carried forward indefinitely.

In 2014, our valuation allowance increased by $8.9 million as a result of book losses sustained by both our foreign subsidiaries as the result of significant acquisition expenses incurred and certain of our domestic taxable REIT subsidiaries. We believe (based on cumulative losses and potential of future taxable income) that we should reserve for our net deferred tax assets. We will continue to monitor this valuation allowance and, if circumstances change (such as entering into new transactions including working capital loans, equity investments, etc), we will adjust this valuation allowance accordingly.

A reconciliation of the income tax expense at the statutory income tax rate and the effective tax rate for income from continuing operations before income taxes for the years ended December 31, 2014, 2013, and 2012 is as follows (in thousands):

	2014	2013	2012
Income from continuing operations (before-tax)	$ 51,138	$ 90,027	$ 72,889
Income tax at the US statutory federal rate (35%)	17,898	31,509	25,511
Rate differential	1,145	2,380	—
State income taxes, net of federal benefit	(337)	271	(8)
Dividends paid deduction	(27,873)	(33,345)	(25,454)
Change in valuation allowance	8,988	(697)	—
Other items, net	519	608	(30)
Total income tax expense	$ 340	$ 726	$ 19

We have no liabilities for uncertain tax positions as of December 31, 2014 and 2013. We recognize interest and penalties related to unrecognized tax positions in income tax expense. We do not currently anticipate that the total amount of unrecognized tax positions will significantly increase or decrease in the next twelve months.

We have met the annual REIT distribution requirements by payment of at least 90% of our estimated taxable income in 2014, 2013, and 2012. Earnings and profits, which determine the taxability of such distributions, will differ from net income reported for financial reporting purposes due primarily to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of our net income and loss for financial reporting purposes and for tax reporting purposes.

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

	For the Years Ended December 31,		
	2014	2013	2012
Common share distribution	$ 0.840000	$ 0.800000	$ 0.800000
Ordinary income	0.520692	0.599384	0.601216
Capital gains[(1)]	0.000276	0.046380	0.117584
Unrecaptured Sec. 1250 gain	0.000276	0.026512	0.086976
Return of capital	0.319032	0.154236	0.081200
Allocable to next year	—	—	—

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

6. EARNINGS PER SHARE

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

	For the Years Ended December 31,		
	2014	2013	2012
Numerator:			
Income from continuing operations	$ 50,798	$ 89,301	$ 72,870
Non-controlling interests' share in continuing operations	(274)	(224)	(177)
Participating securities' share in earnings	(894)	(729)	(887)
Income from continuing operations, less participating securities' share in earnings	49,630	88,348	71,806
Income (loss) from discontinued operations attributable to MPT common stockholders	(2)	7,914	17,207
Net income, less participating securities' share in earnings	$ 49,628	$ 96,262	$ 89,013
Denominator:			
Basic weighted-average common shares	169,999	151,439	132,331
Dilutive potential common shares	541	1,159	2
Diluted weighted-average common shares	170,540	152,598	132,333

For the year ended December 31, 2012, approximately 0.1 million of options were excluded from the diluted earnings per share calculation as they were not determined to be dilutive.

7. STOCK AWARDS

STOCK AWARDS

Our Equity Incentive Plan authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units and awards of interests in our Operating Partnership. Our Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. We have reserved 7,643,651 shares of common stock for awards under the Equity Incentive Plan and 6,316,151 shares remain available for future stock awards as of December 31, 2014. The Equity Incentive Plan contains a limit of 5,000,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year. Awards under the Equity Incentive Plan are subject to forfeiture due to termination of employment prior to vesting. In the event of a change in control, outstanding and unvested options will immediately vest, unless otherwise provided in the participant's award or employment agreement, and restricted stock, restricted stock units, deferred stock units and other stock-based awards will vest if so provided in the participant's award agreement. The term of the awards is set by the Compensation Committee, though Incentive Stock Options may not have terms of more than ten years. Forfeited awards are returned to the Equity Incentive Plan and are then available to be re-issued as future awards. For each share of common stock issued by Medical Properties Trust, Inc. pursuant to its Equity Incentive Plan, the Operating Partnership issues a corresponding number of operating partnership units.

The following awards have been granted pursuant to our Equity Incentive Plan (and its predecesor plan):

STOCK OPTIONS

At December 31, 2014, we had no options outstanding and exercisable. In 2014, 20,000 options were exercised. No options were granted in 2014, 2013, or 2012.

RESTRICTED EQUITY AWARDS

These stock-based awards are in the form of service-based awards and performance-based awards. The service-based awards vest as the employee provides the required service (typically three to five years). Service based awards are valued at the average price per share of common stock on the date of grant. In 2014, 2013, and 2012, the Compensation Committee granted awards to employees which vest based on us achieving certain total shareholder returns or comparisons of our total shareholder returns to peer total return indices. Generally, dividends are not paid on these performance awards until the award is earned. See below for details of such grants:

2014 performance awards - The 2014 performance awards were granted in three parts:

1) Approximately 40% of the 2014 performance awards were based on us achieving a simple 9.0% annual total shareholder return over a three year period; however, the award contained both carry forward and carry back provisions through December 31, 2018. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 1.7%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 3 years.

2) Approximately 30% of the 2014 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2014 to December 31, 2016. The minimum total shareholder return needed to earn a portion of this award is 27.0% with 100% of the award earned if our total shareholder return reaches 35.0%. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2016, 2017 and 2018. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.8%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 5 years.

3) The remainder of the 2014 performance awards will be earned if our total shareholder return outpaces that of the MSCI U.S. REIT Index ("Index") over the cumulative period from January 1, 2014 to December 31, 2016. Our total shareholder return must exceed that of the Index to earn the minimum number of shares under this award, while it must exceed the Index by 6% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2016, 2017 and 2018. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.8%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 5 years.

There were 108,261 of the 2014 performance awards earned and vested in 2014. At December 31, 2014, we have 776,562 of 2014 performance awards remaining to be earned.

2013 performance awards - The 2013 performance awards were granted in three parts:

1) Approximately 27% of the 2013 performance awards were based on us achieving a simple 8.5% annual total shareholder return over a three year period; however, the award contained both carry forward and carry back provisions through December 31, 2017. None of these shares may be sold for two years after they have vested. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.72%; expected volatility of 27%; expected dividend yield of 8.0%; and expected service period of 3 years.

2) Approximately 36% of the 2013 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2013 to December 31, 2015. The minimum total shareholder return needed to earn a portion of this award is 25.5% with 100% of the award earned if our total shareholder return reaches 33.5%. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2015, 2016 and 2017. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.38%; expected volatility of 28%; expected dividend yield of 8.0%; and expected service period of 5 years.

3) The remainder of the 2013 performance awards will be earned if our total shareholder return outpaces that of the Index over the cumulative period from January 1, 2013 to December 31, 2015. Our total shareholder return must exceed that of the Index to earn the minimum number of shares under this award, while it must exceed the Index by 6% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on December 31, 2015, 2016 and 2017. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.38%; expected volatility of 28%; expected dividend yield of 8.0%; and expected service period of 5 years.

There were 80,293 of the 2013 performance awards earned and vested in 2014. There were 68,086 of the 2013 performance awards earned and vested in 2013. At December 31, 2014, we have 624,187 of 2013 performance awards remaining to be earned.

2012 performance awards - The 2012 performance awards were granted in three parts:

1) Approximately 30% of the 2012 performance awards were based on us achieving a simple 9.0% annual total shareholder return over a three year period; however, the award contains both carry forward and carry back provisions through December 31, 2016. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.93%; expected volatility of 34%; expected dividend yield of 8.6%; and expected service period of 4 years.

2) Approximately 35% of the 2012 performance awards were based on us achieving a cumulative total shareholder return from January 1, 2012 to December 31, 2014. The minimum total shareholder return needed to earn a portion of this award is 27% with 100% of the award earned if our total shareholder return reaches 35%. If any shares are earned from this award, the shares will vest in equal annual amounts on January 1, 2015, 2016 and 2017. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.43%; expected volatility of 35%; expected dividend yield of 8.6%; and expected service period of 5 years.

3) The remainder of the 2012 performance awards will be earned if our total shareholder return outpaces that of the Index over the cumulative period from January 1, 2012 to December 31, 2014. Our total shareholder return must exceed that of the Index to earn the minimum number of shares under this award, while it must exceed the Index by 6% to earn 100% of the award. If any shares are earned from this award, the shares will vest in equal annual amounts on January 1, 2015, 2016 and 2017. The fair value of this award was estimated on the date of grant using a Monte Carlo valuation model that assumed the following: risk free interest rate of 0.43%; expected volatility of 35%; expected dividend yield of 8.6%; and expected service period of 5 years.

There were 84,190 of the 2012 performance awards earned and vested in 2014. There were 84,188 of the 2012 performance awards earned and vested in 2013 and 2,599 forfeited in

2013. There were 84,188 of the 2012 performance awards earned and vested in 2012 and 5,718 forfeited in 2012. At December 31, 2014, we have 641,476 of 2012 performance awards remaining to be earned.

The following summarizes restricted equity award activity in 2014 and 2013 (which includes awards granted in 2014, 2013, 2012, and any applicable prior years), respectively:

For the Year Ended December 31, 2014:

	Vesting Based on Service		Vesting Based on Market/ Performance Conditions	
	Shares	Weighted Average Value at Award Date	Shares	Weighted Average Value at Award Date
Nonvested awards at beginning of the year	325,999	$ 11.36	1,999,179	$ 5.44
Awarded	424,366	$ 12.21	903,134	$ 7.57
Vested	(298,102)	$ 11.43	(473,795)	$ 7.60
Forfeited	—	$ —	—	$ —
Nonvested awards at end of year	452,263	$ 12.11	2,428,518	$ 5.81

For the Year Ended December 31, 2013:

	Vesting Based on Service		Vesting Based on Market/ Performance Conditions	
	Shares	Weighted Average Value at Award Date	Shares	Weighted Average Value at Award Date
Nonvested awards at beginning of the year	466,883	$ 10.72	1,879,889	$ 6.48
Awarded	240,425	$ 12.26	754,255	$ 6.13
Vested	(381,309)	$ 11.15	(386,446)	$ 8.27
Forfeited	—	$ —	(248,519)	$ 11.03
Nonvested awards at end of year	325,999	$ 11.36	1,999,179	$ 5.44

The value of stock-based awards is charged to compensation expense over the vesting periods. In the years ended December 31, 2014, 2013 and 2012, we recorded $9.2 million, $8.8 million, and $7.6 million, respectively, of non-cash compensation expense. The remaining unrecognized cost from restricted equity awards at December 31, 2014, is $12.4 million and will be recognized over a weighted average period of 2.4 years. Restricted equity awards which vested in 2014, 2013 and 2012 had a value of $10.2 million, $9.2 million, and $9.2 million, respectively.

8. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Our operating leases primarily consist of ground leases on which certain of our facilities or other related property reside along with corporate office and equipment leases. These ground leases are long-term leases (almost all having terms for approximately 50 years or more), some contain escalation provisions and one contains a purchase option. Properties subject to these ground leases are subleased to our tenants. Lease and rental expense (which is recorded on the straight-line method) for 2014, 2013 and 2012, respectively, were $2,321,790, $2,304,461, and $2,195,835, which was offset by sublease rental income of $192,098, $512,503, and $492,095 for 2014, 2013, and 2012, respectively.

Fixed minimum payments due under operating leases with non-cancelable terms of more than one year at December 31, 2014 are as follows: (amounts in thousands)

2015	$ 3,415
2016	3,434
2017	3,443
2018	3,436
2019	3,055
Thereafter	84,759
	$ 101,542

The total amount to be received in the future from non-cancellable subleases at December 31, 2014, is $86.5 million.

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.

9. COMMON STOCK

2014 ACTIVITY

On March 11, 2014, we completed an underwritten public offering of 7.7 million shares of our common stock, resulting in net proceeds of approximately $100.2 million, after deducting estimated offering expenses. We also granted the underwriters a 30-day option to purchase up to an additional 1.2 million shares of common stock. The option, which was exercised in full, closed on April 8, 2014 and resulted in additional net proceeds of approximately $16 million.

In January 2014, we put an at-the-market equity offering program in place, giving us the ability to sell up to $250 million of stock with a commission of 1.25%. During 2014, we sold 1.7 million shares of our common stock under our at-the-market equity offering program, at an average price of $13.56 per share resulting in total proceeds, net of commission, of $22.6 million.

2013 ACTIVITY

On August 20, 2013, we completed an offering of 11.5 million shares of common stock (including 1.5 million shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a price of $12.75 per share, resulting in net proceeds (after underwriting discount and expenses) of $140.4 million.

On February 28, 2013, we completed an offering of 12.7 million shares of our common stock (including 1.7 million shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a price of $14.25 per share, resulting in net proceeds (after underwriting discount and expenses) of $172.9 million.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

We have various assets and liabilities that are considered financial instruments. We estimate that the carrying value of cash and cash equivalents, and accounts payable and accrued expenses approximate their fair values. Included in our accounts payable and accrued expenses are our interest rate swaps, which are recorded at fair value based on Level 2 observable market assumptions using standardized derivative pricing models. 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 working capital loans are estimated by using Level 2 inputs (except for the Monroe loan in 2013 for which we use Level 3 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 2006 Senior Unsecured Notes, revolving credit facility, and term loans using Level 2 inputs based on the present value of future payments, discounted at a rate which we consider appropriate for such debt.

Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be possible and may not be a prudent management decision. The following table summarizes fair value estimates for our financial instruments (in thousands):

	December 31, 2014		December 31, 2013	
Asset (Liability)	Book Value	Fair Value	Book Value	Fair Value
Interest and rent receivables	$ 41,137	$ 41,005	$ 58,565	$ 44,415
Loans(1)	773,311	803,824	351,713	358,383
Debt, net	(2,201,654)	(2,285,727)	(1,421,681)	(1,486,090)

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

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Our equity interest in Ernest and related loans, as discussed in Note 2, are being measured at fair value on a recurring basis as we elected to account for these investments using the fair value option method. We have elected to account for these investments at fair value due to the size of the investments and because we believe this method is more reflective of current values. We have not made a similar election for other equity interests or loans in or prior to 2014.

At December 31, 2014, these amounts were as follows (in thousands):

Asset (Liability)	Fair Value	Cost	Asset Type Classification
Mortgage loan	$ 100,000	$ 100,000	Mortgage loans
Acquisition loans	97,450	97,450	Other loans
Equity investment	3,300	3,300	Other assets
	$ 200,750	$ 200,750	

Our mortgage loans with Ernest are recorded at fair value based on Level 3 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. Our acquisition loans and equity investments in Ernest are recorded at fair value based on Level 3 inputs, by using a discounted cash flow model, which requires significant estimates of our investee such as projected revenue and expenses and appropriate consideration of the underlying risk profile of the forecast assumptions associated with the investee. We classify these loans and equity investments as Level 3, as we use certain unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuation requires management judgment due to the absence of quoted market prices. For these cash flow models, our observable inputs include use of a capitalization rate, discount rate (which is based on a weighted-average cost of capital), and market interest rates, and our unobservable input includes an adjustment for a marketability discount ("DLOM") on our equity investment of 40% at December 31, 2014.

In regards to the underlying projection of revenues and expenses used in the discounted cash flow model, such projections are provided by Ernest. However, we will modify such projections (including underlying assumptions used) as needed based on our review and analysis of Ernest's historical results, meetings with key members of management, and our understanding of trends and developments within the healthcare industry.

In arriving at the DLOM, we started with a DLOM range based on the results of studies supporting valuation discounts for other transactions or structures without a public market. To select the appropriate DLOM within the range, we then considered many qualitative factors including the percent of control, the nature of the underlying investee's business along with our rights as an investor pursuant to the operating agreement, the size of investment, expected holding period, number of shareholders, access to capital marketplace, etc. To illustrate the effect of movements in the DLOM, we performed a sensitivity analysis below by using basis point variations (dollars in thousands):

Basis Point Change in Marketability Discount	Estimated Increase (Decrease) In Fair Value
+100 basis points	$ (451)
-100 basis points	451

Because the fair value of Ernest investments noted above approximate their original cost, we did not recognize any unrealized gains/losses during 2014, 2013, or 2012. To date, we have not received any distribution payments from our equity investment in Ernest.

11. DISCONTINUED OPERATIONS

The following table presents the results of discontinued operations, which include the revenue and expenses of facilities disposed of prior to 2014 for the year ended December 31, 2014, 2013, and 2012 (amounts in thousands except per share data):

	For the Years Ended December 31,		
	2014	2013	2012
Revenues	$ –	$ 988	$ 3,470
Gain on sale	–	7,659	16,369
Income (loss) from discontinued operations	(2)	7,914	17,207
Income from discontinued operations — diluted per share	$ –	$ 0.05	$ 0.13

12. OTHER ASSETS

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

	At December 31,	
	2014	2013
Debt issue costs, net	$ 35,324	$ 27,180
Other corporate assets	28,197	20,337
Prepaids and other assets	58,584	20,356
Total other assets	$ 122,105	$ 67,873

Other corporate assets include leasehold improvements associated with our corporate office space, furniture and fixtures, equipment, software, deposits, etc. Included in prepaids and other assets is prepaid insurance, prepaid taxes, lease inducements made to tenants (such as the $5 million inducement made to Prime in 2014 related to their taking over the management of the Monroe facility), and our equity interests in our tenants (which is up this year due to new investments made along with income earned from these equity interests — see Note 3 for further details).

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2014 and 2013: (amounts in thousands, except for per share data)

	For the Three Month Periods in 2014 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 73,089	$76,560	$ 80,777	$ 82,106
Income (loss) from continuing operations	7,309	(203)	28,663	15,029
Income (loss) from discontinued operations	$ (2)	$ –	$ –	$ –
Net income (loss)	7,307	(203)	28,663	15,029
Net income (loss) attributable to MPT common stockholders	7,241	(203)	28,537	14,947
Net income attributable to MPT common stockholders per share — basic	$ 0.04	$ –	$ 0.16	$ 0.08
Weighted average shares outstanding — basic	163,973	171,718	171,893	172,411
Net income attributable to MPT common stockholders per share — diluted	$ 0.04	$ –	$ 0.16	$ 0.08
Weighted average shares outstanding — diluted	164,549	171,718	172,639	172,604

	For the Three Month Periods in 2013 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 57,614	$ 57,124	$ 60,106	$ 67,679
Income from continuing operations	25,570	25,031	25,391	13,309
Income from discontinued operations	640	2,374	312	4,588
Net income	26,210	27,405	25,703	17,897
Net income attributable to MPT common stockholders	26,156	27,348	25,648	17,839
Net income attributable to MPT common stockholders per share — basic	$ 0.19	$ 0.18	$ 0.16	$ 0.11
Weighted average shares outstanding — basic	140,347	149,509	154,758	161,143
Net income attributable to MPT common stockholders per share — diluted	$ 0.18	$ 0.18	$ 0.16	$ 0.11
Weighted average shares outstanding — diluted	141,526	151,056	155,969	161,840

14. SUBSEQUENT EVENTS

On January 14, 2015, we completed an underwritten public offering of 34.5 million shares (including the exercise of the underwriters' 30-day option to purchase an additional 4.5 million shares) of our common stock, resulting in net proceeds of approximately $480 million, after deducting estimated offering expenses.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE 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 period 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 timely alerting them to material information required to be disclosed by us in the reports that we file with the SEC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.

The management of Medical Properties Trust, Inc. has prepared the consolidated financial statements and other information in our Annual Report in accordance with accounting principles generally accepted in the United States of America and is responsible for its accuracy. The financial statements necessarily include amounts that are based on management's best estimates and judgments. In meeting its responsibility, management relies on internal accounting and related control systems. The internal control systems are designed to ensure that transactions are properly authorized and recorded in our financial records and to safeguard our assets from material loss or misuse. Such assurance cannot be absolute because of inherent limitations in any internal control system.

Management of Medical Properties Trust, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

In connection with the preparation of our annual financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014. The assessment was based upon the framework described in the "Integrated Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") based on criteria established in *Internal Control — Integrated Framework (2013)*. Management's assessment included an evaluation of the design of internal control over financial reporting and testing of the operational effectiveness of internal control over financial reporting. We have reviewed the results of the assessment with the Audit Committee of our Board of Directors.

Based on our assessment under the criteria set forth in COSO, management has concluded that, as of December 31, 2014, Medical Properties Trust, Inc. maintained effective internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

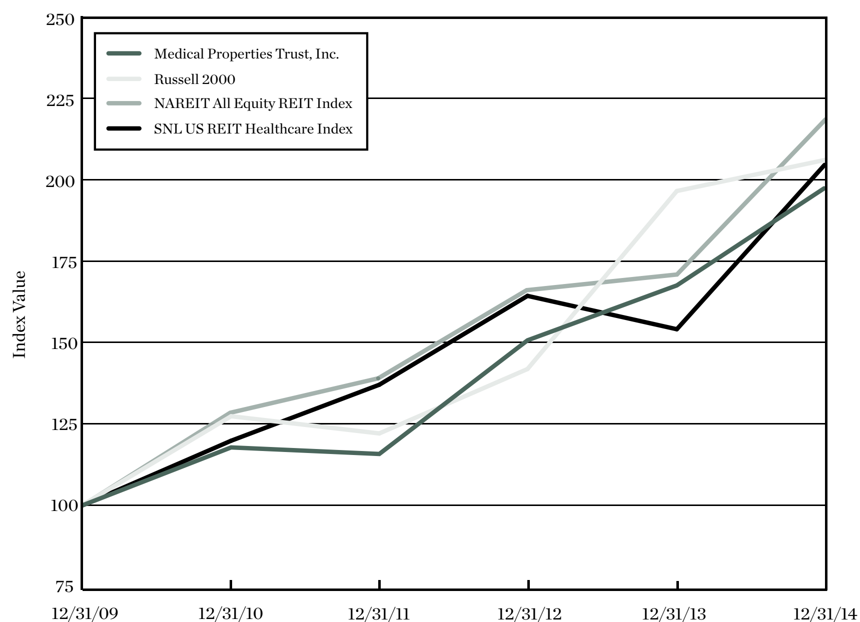
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no change in Medical Properties Trust, Inc.'s 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.

PERFORMANCE GRAPH

The following graph provides comparison of cumulative total stockholder return for the period from December 31, 2009 through December 31, 2014, among Medical Properties Trust, Inc., the Russell 2000 Index, NAREIT Equity REIT Index, and SNL US REIT Healthcare Index. The stock performance graph assumes an investment of $100 in each of Medical Properties Trust, Inc. and the three indices, and the reinvestment of dividends. The historical information below is not indicative of future performance.

TOTAL RETURN PERFORMANCE



Index	Period Ending					
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Medical Properties Trust, Inc . .	100.00	116.98	115.02	150.89	163.55	196.49
Russell 2000	100.00	126.86	121.56	141.43	196.34	205.95
NAREIT All Equity REIT Index	100.00	127.95	138.55	165.84	170.58	218.38
SNL US REIT Healthcare	100.00	119.30	136.58	163.99	153.70	204.68

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CORPORATE AND SHAREHOLDER INFORMATION

EXECUTIVE OFFICERS

Edward K. Aldag, Jr. – Chairman, President and Chief Executive Officer
R. Steven Hamner – Executive Vice President and Chief Financial Officer
Emmett E. McLean – Executive Vice President, Chief Operating Officer, Treasurer and Secretary
Frank R. Williams, Jr. – Senior Vice President, Senior Managing Director - Acquisitions

DIRECTORS

Edward K. Aldag, Jr. – Chairman, President and Chief Executive Officer
G. Steven Dawson – Private Investor
Robert E. Holmes, PhD – Retired Dean, School of Business and Wachovia Chair of Business Administration at the University of Alabama at Birmingham School of Business
Sherry A. Kellett – Former Corporate Controller, BB&T Corporation
William G. McKenzie – President and Chief Executive Officer of Gilliard Health Services, Inc.
R. Steven Hamner – Executive Vice President and Chief Financial Officer
L. Glenn Orr, Jr. – Chairman, Orr Holdings, LLC
D. Paul Sparks – Senior Vice President of Resource Development & Technology, Energen Corporation

LEGAL COUNSEL

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC – Birmingham, AL
Goodwin Procter, LLP – New York, NY

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP – Birmingham, AL

ANNUAL MEETING

The Annual Meeting of Shareholders of Medical Properties Trust, Inc. is scheduled for May 14, 2015 at 10:30 am C.D.T. at The Summit Club, 1901 Sixth Avenue North, Suite 3100, Birmingham, AL 35203.

CERTIFICATIONS

Medical Properties Trust, Inc.'s Chief Executive Officer and Chief Financial Officer have filed their certifications required by the SEC regarding the quality of the company's public disclosure (these are included in the 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission). Further, the company's Chief Executive Officer has certified to the NYSE that he is not aware of any violation by Medical Properties Trust, Inc. of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE listing standards.

TRANSFER AGENT AND REGISTRAR

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6201 15th Avenue
Brooklyn, NY 11219
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info@amstock.com
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CORPORATE OFFICE

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INVESTING IN THE FUTURE OF HEALTHCARE.

Medical Properties Trust

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