



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

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-32559

**MEDICAL PROPERTIES TRUST, INC.**

(Exact Name of Registrant as Specified in its Charter)

MARYLAND  
(State or other jurisdiction  
of incorporation or organization)

20-0191742  
(I. R. S. Employer  
Identification No.)

1000 URBAN CENTER DRIVE, SUITE 501  
BIRMINGHAM, AL  
(Address of Principal Executive Offices)

35242  
(Zip Code)

Registrant's telephone number, including area code: (205) 969-3755

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

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Yes  No

As of August 19, 2005, the registrant had 39,969,065 shares of common stock, par value \$.001, outstanding.

MEDICAL PROPERTIES TRUST, INC.  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE THREE MONTHS ENDED JUNE 30, 2005

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

	<u>June 30, 2005</u> (Unaudited)	<u>December 31, 2004</u>
<b>Assets</b>		
Real estate assets		
Land	\$ 13,491,429	\$ 10,670,000
Buildings and improvements	166,572,054	111,387,232
Construction in progress	50,529,769	24,318,098
Intangible lease assets	7,558,712	5,314,963
Gross investment in real estate assets	238,151,964	151,690,293
Accumulated depreciation	(2,927,987)	(1,311,757)
Accumulated amortization	(366,886)	(166,713)
Net investment in real estate assets	234,857,091	150,211,823
Cash and cash equivalents	34,357,866	97,543,677
Interest and rent receivable	1,195,299	419,776
Unbilled rent receivable	7,458,980	3,206,853
Loans	48,498,111	50,224,069
Other assets	7,377,045	4,899,865
<b>Total Assets</b>	<b><u>\$ 333,744,392</u></b>	<b><u>\$ 306,506,063</u></b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities		
Debt	\$ 73,204,167	\$ 56,000,000
Accounts payable and accrued expenses	11,596,030	10,903,025
Deferred revenue	6,418,038	3,578,229
Lease deposit	7,728,195	3,296,365
Total liabilities	98,946,430	73,777,619
Minority interests	2,137,500	1,000,000
Stockholders' equity		
Preferred stock, \$0.001 par value. Authorized 10,000,000 shares; no shares outstanding	—	—
Common stock, \$0.001 par value. Authorized 100,000,000 shares; issued and outstanding — 26,082,862 shares at June 30, 2005, and December 31, 2004	26,083	26,083
Additional paid in capital	233,678,165	233,626,690
Accumulated deficit	(1,043,786)	(1,924,329)
Total stockholders' equity	232,660,462	231,728,444
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 333,744,392</u></b>	<b><u>\$ 306,506,063</u></b>

See accompanying notes to consolidated financial statements.

## MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations  
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<b>Revenues</b>				
Rent billed	\$ 4,692,328	\$ —	\$ 8,615,377	\$ —
Unbilled rent	1,432,298	—	2,777,739	—
Interest income from loans	1,117,151	—	2,329,189	—
Total revenues	7,241,777	—	13,722,305	—
<b>Expenses</b>				
Real estate depreciation and amortization	973,996	—	1,816,403	—
General and administrative	1,415,067	1,212,457	3,165,877	1,697,961
Costs of terminated acquisitions	—	336,724	—	336,724
Total operating expenses	2,389,063	1,549,181	4,982,280	2,034,685
Operating income (loss)	4,852,714	(1,549,181)	8,740,025	(2,034,685)
<b>Other income (expense)</b>				
Interest income	358,214	479,289	741,986	479,289
Interest expense	(831,117)	—	(1,542,266)	(8,222)
Net other (expense) income	(472,903)	479,289	(800,280)	471,067
<b>Net income (loss)</b>	<b>\$ 4,379,811</b>	<b>\$ (1,069,892)</b>	<b>\$ 7,939,745</b>	<b>\$ (1,563,618)</b>
<b>Net income (loss) per share, basic</b>	<b>\$ 0.17</b>	<b>\$ (0.04)</b>	<b>\$ 0.30</b>	<b>\$ (0.13)</b>
<b>Weighted average shares outstanding — basic</b>	26,096,021	24,397,524	26,096,813	12,459,716
<b>Net income (loss) per share, diluted</b>	<b>\$ 0.17</b>	<b>\$ (0.04)</b>	<b>\$ 0.30</b>	<b>\$ (0.13)</b>
<b>Weighted average shares outstanding — diluted</b>	26,110,119	24,399,813	26,105,844	12,460,860

See accompanying notes to consolidated financial statements.

**MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows  
(Unaudited)

	For the Six Months Ended	
	June 30, 2005	June 30, 2004
<b>Operating activities</b>		
Net income (loss)	\$ 7,939,745	\$ (1,563,618)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	1,886,454	1,784
Amortization of deferred financing costs	449,762	—
Unbilled rent revenue	(2,777,739)	—
Share based payments	122,766	—
Other adjustments	(129,768)	—
Increase in:		
Interest and rent receivable	(775,523)	—
Other assets	(1,088,749)	(235,463)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,493,372)	125,268
Deferred revenue	1,264,502	—
Lease deposits	70,493	—
Net cash provided by (used for) operating activities	3,468,571	(1,672,029)
<b>Investing activities</b>		
Real estate acquired	(56,513,944)	—
Principal received on loans receivable	7,725,958	—
Investment in loans receivable	(4,934,772)	—
Construction in progress	(26,420,931)	(21,427,781)
Equipment acquired	(122,066)	(137,006)
Net cash used for investing activities	(80,265,755)	(21,564,787)
<b>Financing activities</b>		
Addition to debt	19,000,000	—
Proceeds from loan payable	—	200,000
Payment of loan payable	—	(300,000)
Payments of debt	(1,795,833)	—
Deferred financing and offering costs	(1,786,178)	—
Payments for deferred stock units	(75,000)	—
Distributions paid	(2,869,116)	—
Proceeds from sale of common shares, net of offering costs	—	233,738,967
Sale of partnership units	1,137,500	—
Net cash provided by financing activities	13,611,373	233,638,967
Increase in cash and cash equivalents for period	(63,185,811)	210,402,151
Cash and cash equivalents at beginning of period	97,543,677	100,000
<b>Cash and cash equivalents at end of period</b>	<b>\$ 34,357,866</b>	<b>\$ 210,502,151</b>
Interest paid, net of capitalized interest of \$1,003,779 in 2005	\$ 2,096,283	\$ —
<b>Supplemental schedule of non-cash investing activities</b>		
Unbilled rent receivables recorded as deferred revenue	\$ 1,474,387	—
Additions to real estate and loans receivable recorded as lease and loan deposits	8,773,312	—
Additions to real estate and loans receivable recorded as deferred revenue	389,309	—
<b>Supplemental schedule of non-cash financing activities:</b>		
Additions to stockholders equity from share based payments	\$ 126,475	\$ —
Distributions declared, unpaid	4,186,377	—

See accompanying notes to consolidated financial statements.

## MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
For the Six Months Ended June 30, 2005 and 2004  
(Unaudited)

### 1. Organization

Medical Properties Trust, Inc., a Maryland corporation (the Company), was formed on August 27, 2003 under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in and owning commercial real estate. The Company's operating partnership subsidiary, MPT Operating Partnership, L.P. (the Operating Partnership), was formed in September 2003. Through another wholly owned subsidiary, Medical Properties Trust, LLC, the Company is the sole general partner of the Operating Partnership. The Company owns directly all of the limited partnership interests in the Operating Partnership.

The Company succeeded to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed in December 2002. On the day of formation, the Company issued 1,630,435 shares of common stock, and the membership interests of Medical Properties Trust, LLC were transferred to the Company. Medical Properties Trust, LLC had no assets, but had incurred liabilities for costs and expenses related to acquisition due diligence, a planned offering of common stock, consulting fees and office overhead in an aggregate amount of approximately \$423,000, which was assumed by the Operating Partnership.

The Company's 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. The Company considers this to be a single business segment as defined in Statement of Financial Accounting Standard (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

On April 6, 2004, the Company completed the sale of 25.6 million shares of common stock in a private placement to qualified institutional buyers and accredited investors. The Company received \$233.5 million after deducting offering costs. The proceeds are being used to purchase properties, to pay debt and accrued expenses and for working capital and general corporate purposes.

On July 7, 2005, the Company completed the sale of 11,365,000 shares of common stock in an initial public offering (IPO) at a price of \$10.50 per share. On August 5, 2005, the underwriters purchased an additional 1,810,023 shares at the same offering price, less an underwriting commission of seven percent and expenses pursuant to their over-allotment option. (See Note 7).

### 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 the Company owns 100% of the equity or has 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 the Company owns less than 100% of the equity interest, the Company consolidates the property if it has the direct or indirect ability to make decisions about the entities' activities based upon the terms of the respective entities' ownership agreements. For entities in which the Company owns less than 100% and does not have the direct or indirect ability to make decisions but does exert significant influence over the entities' activities, the Company records its ownership in the entity using the equity method of accounting.

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The Company periodically evaluates all of its transactions and investments to determine if they represent variable interests in a variable interest entity as defined by FASB Interpretation No. 46 (revised December 2003) (FIN 46-R), *Consolidation of Variable Interest Entities*, an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*. If the Company determines that it has a variable interest in a variable interest entity, the Company determines if it is the primary beneficiary of the variable interest entity. The Company consolidates each variable interest entity in which the Company, by virtue of its transactions with or investments in the entity, is considered to be the primary beneficiary. The Company re-evaluates its status as primary beneficiary when a variable interest entity or potential variable interest entity has a material change in its variable interests.

*Unaudited Interim Consolidated Financial Statements:* The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and six month periods ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

### **3. Real Estate and Lending Activities**

In February 2005, Vibra Healthcare, LLC (Vibra) repaid \$7.8 million of principal and interest on its loans from the Company. The payments left a \$41.4 million loan payable to the Company by Vibra. The Company has no commitments to make additional loans to Vibra.

In February, 2005, the Company purchased a general acute care hospital (Victorville) for \$28.0 million. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of the hospital, the Company and the seller entered into a 15 year lease of the hospital back to the seller, with renewal options for three additional five year terms.

In June 2005, the Company completed two transactions with the owner of two long-term acute care hospitals. In one transaction, the Company purchased a long-term acute care hospital (Covington) for \$11.5 million. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of Covington, the Company and the seller entered into a 15 year lease of the hospital back to the seller, with renewal options for three additional five year terms. In a second transaction, in connection with our proposed acquisition of another long-term acute care hospital (Denham Springs) from the same owner, the Company made a 15 year, interest only mortgage loan of \$6.0 million, \$500,000 of which is being held in escrow pending the resolution of certain environmental issues regarding the facility. If these environmental issues are resolved to the Company's satisfaction, the escrowed funds will be released and the Company will proceed to acquire Denham Springs. The loan accrues interest at a rate of 10.5% per year, subject to escalation, and provides for monthly payments of interest only.

In June 2005, the Company purchased a rehabilitation hospital (Vibra-Redding) for \$20.75 million from Vibra. The purchase price was paid from loan proceeds and from the proceeds of the Company's private placement. Upon closing the purchase of Vibra-Redding, the Company and Vibra entered into a 15 year lease of the hospital back to Vibra, with renewal options for three additional five year terms. The lease is cross-defaulted with the Company's other Vibra loan and leases. The Company has withheld \$2.75 million of the purchase price contingent on conversion of the facility to a long-term acute care hospital and other facility improvements which the Company expects the lessee to make during the next 12 months. If the conversion and improvements are not made, the Company has no obligation to pay the withheld amounts.

In June 2005, the Company closed on a loan with a local operator to fund the construction and development of a community hospital (North Cypress). The total loan commitment is approximately \$64.0 million. The Company has the option to purchase North Cypress at the end of construction at which time the Company will enter into a 15 year lease with the operator. During the construction phase, the Company also plans to purchase the land, currently being subleased by the Company, on which North Cypress is being built. The Company has advanced

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approximately \$1.9 million to the operator at June 30, 2005, for construction of the facility. The Company has included this transaction in construction in progress in its consolidated balance sheet at June 30, 2005.

The Company has recorded the following assets from the acquisitions of Victorville, Covington and Vibra-Redding:

Land	\$ 2,821,429
Buildings	55,184,822
Intangible lease assets	2,243,749
	<u>\$60,250,000</u>

#### 4. Debt

At June 30, 2005, the Company had outstanding borrowings of approximately \$73.2 million pursuant to a term loan agreement. The loan agreement requires monthly payments based on a 20 year amortization schedule and interest at the one month London Interbank Offered Rate (LIBOR) plus 300 basis points (6.56% at June 30, 2005). The loan is secured by six Vibra facilities, which have a book value of \$125.9 million, and requires the Company to meet financial coverage, ratio and total debt covenants typical of such loans. On August 4, 2005, the Company prepaid \$31.9 million of principal on the term loan.

Maturities of debt at June 30, 2005, for each successive twelve month period are as follows:

2006	\$ 3,750,000
2007	3,750,000
2008	65,704,167
	<u>\$73,204,167</u>

The Company has signed a term sheet with the same lender for a \$100 million revolving credit facility to replace the existing loan.

#### 5. Stock Awards

In February 2005, the Company awarded 7,500 deferred stock units valued at \$10.00 per share to three new independent directors elected to the Company's board. The total value of \$75,000 was recorded as additional paid-in-capital in the consolidated balance sheet and an expense in the consolidated income statement on the date of the awards. The Company also awarded 60,000 stock options to the new directors, of which one-third vested immediately, one-third vest one year from the date of grant, and one-third vest two years from the date of grant. The Company follows APB No. 25 and related Interpretations in accounting for stock options. In accordance with APB No. 25, no compensation expense has been recorded for stock options.

In April 2005, the Company awarded to employees 82,000 shares of restricted common stock valued at \$10.00 per share. Fifty-two thousand of these shares vest over a period of five years beginning one year from the date of the Company's IPO (July 7, 2005). Thirty thousand of these shares vest quarterly over a three year period beginning September 30, 2005. The Company is recording compensation expense over the vesting period.

#### 6. Earnings Per Share

The following is a reconciliation of the weighted average shares used in net income per common share to the weighted average shares used in net income per common share — assuming dilution for the six months and three months ended June 2005 and 2004, respectively:

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	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2005	2004	2005	2004
Weighted average number of shares issued and outstanding	26,082,862	24,397,524	26,082,862	12,459,716
Vested deferred stock units	13,159	—	13,951	—
Weighted average shares — basic	26,096,021	24,397,524	26,096,813	12,459,716
Common stock warrants and options	14,098	2,289	9,031	1,144
Weighted average shares — diluted	<u>26,110,119</u>	<u>24,399,813</u>	<u>26,105,844</u>	<u>12,460,860</u>

### 7. Initial Public Offering and Issuance of Common Stock

On July 7, 2005, the Company completed the sale of 11,365,000 shares of common stock in its IPO at a price of \$10.50 per share, less underwriters' discount and expenses. On August 5, 2005, the underwriters exercised their option to purchase an additional 1,810,023 shares at the same offering price, less underwriters' discount and expenses. Our proceeds from the IPO and exercise of the over-allotment option, before deducting offering costs of \$2.4 million at June 30, 2005, are as follows:

Gross proceeds	\$ 138,337,742
Underwriters' discount	(9,683,642)
Expenses	(167,650)
Net proceeds	<u>\$ 128,486,450</u>

### 8. Commitments and Contingencies

The Company entered into two ground leases for its North Cypress development project. Under the ground lease covering the larger tract of land, the Company has the right to purchase the land during the construction phase. The Company currently intends to exercise its purchase rights. Under the ground lease covering the smaller tract of land, the Company can terminate the lease when certain specified improvements are made to the larger land tract. The Company currently intends to make such improvements during the construction phase of the project. The ground leases are for 99 years and require payments of approximately \$502,000 during each of the first five years of the leases. The Company is subleasing the land to the tenant in an amount and for a term equal to the lease payments which the Company makes to the owners of the land. However, collection of the sublease rent is being deferred until completion of construction at which time the tenant will begin making all previously deferred sublease payments.

Upon the acquisition of the Vibra-Redding facility, the Company assumed a ground lease with a remaining term of approximately 70 years. The Company's lease of the facility to Vibra requires that Vibra make all ground lease payments to the ground lessor. The ground lease payments are approximately \$21,000 per year, escalating at four percent per year for the remaining term of the ground lease.

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

The following discussion and analysis of the consolidated financial condition and consolidated results of operations should be read together with the consolidated financial statements of Medical Properties Trust, Inc. and notes thereto contained in this Form 10-Q and the financial statements and notes thereto contained in the Company's Prospectus dated July 7, 2005, filed with the Securities and Exchange Commission (SEC) pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

### **Forward-Looking Statements.**

This report on Form 10-Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or future performance, achievements, transactions or events to be materially different from those expressed or implied by such forward-looking statements, including, but not limited to, the risks described in our Prospectus dated July 7, 2005, filed with the Securities and Exchange Commission (SEC) pursuant to Rule 424(b) under the Securities Act of 1933, as amended. Such factors include, among others, the following:

- national and local economic, business, real estate and other market conditions;
- the competitive environment in which the Company operates;
- the execution of the Company's business plan;
- financing risks;
- acquisition and development risks;
- potential environmental and other liabilities;
- other factors affecting the real estate industry generally or the healthcare real estate industry in particular;
- our ability to attain and maintain our status as a REIT for federal and state income tax purposes;
- our ability to attract and retain qualified personnel; and,
- federal and state healthcare regulatory requirements.

### **Overview**

We were incorporated under Maryland law on August 27, 2003 primarily for the purpose of investing in and owning net-leased healthcare facilities across the United States. We have operated as a real estate investment trust (REIT) since April 6, 2004, and, accordingly, we intend to elect REIT status upon the filing in September 2005 of our calendar year 2004 Federal income tax return. Our existing tenants are, and our prospective tenants will generally be, hospital operating companies and other healthcare providers that use substantial real estate assets in their operations. We offer financing for these operators' real estate through 100% lease financing and generally seek lease terms of at least 10 years with a series of shorter renewal terms at the option of our tenants. We also intend to include annual contractual rental rate increases that in the current market range from 1.5% to 3.0%. Our existing portfolio escalators range from 2.0% to 2.5%. In addition to the base rent, our leases generally require our tenants to pay all operating costs and expenses associated with the facility.

We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases, and we make mortgage loans to healthcare operators secured by their real estate assets. We selectively make loans to certain of our operators through our taxable REIT subsidiary, the proceeds of which are used for acquisitions and working capital. We consider our lending business an important element of our overall business strategy for two primary reasons: (1) it provides opportunities to make income-earning investments that yield attractive risk-adjusted returns in an industry in which our management has expertise, and (2) by making debt capital available to certain qualified operators, we believe we create for our company a competitive advantage over other buyers of, and financing sources for, healthcare facilities. For purpose of Statement of Financial Accounting Standard No. 131, *Disclosures about Segments of an Enterprise and Related Information*, we conduct business operations in one segment.

At June 30, 2005, we owned nine operating healthcare facilities and held a first lien mortgage loan secured by another. In addition, we were in process of developing three additional healthcare facilities that were not yet in operation. We had one acquisition loan outstanding that our tenant used for the acquisition of six hospital operating companies. The 12 facilities we owned and had made a mortgage loan on were in nine states and comprised approximately 70% of the dollar value of our assets. Our acquisition and working capital loans represented approximately 15% of our total assets. We do not expect such loan assets to exceed 20% of our total assets.

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

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

- the historical and prospective operating margins (measured by a tenant's earnings before interest, taxes, depreciation, amortization and facility rent) of each tenant and at each facility;
- the ratio of our tenants' operating earnings to facility rent and to facility rent plus other fixed costs, including debt costs;
- trends in the source of our tenants' revenue, including the relative mix of Medicare, Medicaid/MediCal, managed care, commercial insurance, and private pay patients; and
- the effect of evolving healthcare regulations on our tenants' profitability.

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

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

We currently have 17 employees. As a new company, we will continue to add staff as we evaluate potential acquisitions, acquire new properties and manage our existing properties and loans. Over the next 12 months, we expect to hire an additional five to ten employees, which will increase our general and administrative expenses, but should also add to our ability to evaluate potential acquisitions and manage our existing portfolio.

## CRITICAL ACCOUNTING POLICIES

In order to prepare financial statements in conformity with accounting principles generally accepted in the United States, we must make estimates about certain types of transactions and account balances. We believe that our estimates of the amount and timing of lease revenues, credit losses, fair values and periodic depreciation of our real estate assets, stock compensation expense, and the effects of any derivative and hedging activities will have significant effects on our financial statements. Each of these items involves estimates that require us to make judgments that are subjective in nature. We intend to rely on our experience, collect historical data and current market data, and develop relevant assumptions in order to arrive at what we believe to be reasonable estimates. Under different conditions or assumptions, materially different amounts could be reported related to the accounting policies described below. In addition, application of these accounting policies involves the exercise of judgments on the use of assumptions as to future uncertainties and, as a result, actual results could materially differ from these estimates. Our accounting estimates will include the following:

**Revenue Recognition.** Our revenues, which are comprised largely of rental income, include rents that each tenant pays in accordance with the terms of its respective lease reported on a straight-line basis over the initial term of the lease. Since some of our leases provide for rental increases at specified intervals, straight-line basis accounting requires us to record as an asset, and include in revenues, unbilled rent that we will only receive if the tenant makes all rent payments required through the expiration of the term of the lease.

Accordingly, our management must determine, in its judgment, to what extent the unbilled rent receivable applicable to each specific tenant is collectible. We will review each tenant's unbilled rent receivable on a quarterly basis and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the facility is located. In the event that the collectibility of unbilled rent with respect to any given tenant is in doubt, we are required to record an increase in our allowance for uncollectible accounts or record a direct write-off of the specific rent receivable, which would have an adverse effect on our net income for the year in which the reserve is increased or the direct write-off is recorded and would decrease our total assets and stockholders' equity.

We make loans to our tenants and from time to time may make construction or mortgage loans to facility owners or other parties. We recognize interest income on loans as earned based upon the principal amount outstanding. These loans are generally secured by interests in real estate, receivables, equity interests of a tenant or corporate and individual guarantees. As with unbilled rent receivables, our management must also periodically evaluate loans to determine what amounts may not be collectible. Accordingly, a provision for losses on loans receivable is recorded when it becomes probable that the loan will not be collected in full. The provision is an amount which reduces the loan to its estimated net receivable value based on a determination of the eventual amounts to be collected either from the debtor or from the collateral, if any. At that time, we discontinue recording interest income on the loan to the tenant.

**Investments in Real Estate.** We record investments in real estate at cost, and capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. To the extent that we incur costs of repairs and maintenance, we expense those costs as incurred. We compute depreciation using the straight-line method over the estimated useful life of 40 years for buildings and improvements, five to seven years for equipment and fixtures and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

We are required to make subjective assessments as to the useful lives of our facilities for purposes of determining the amount of depreciation expense to record on an annual basis with respect to our investments in real estate improvements. These assessments have a direct impact on our net income because, if we were to shorten the expected useful lives of our investments in real estate improvements, we would depreciate these investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

We have adopted Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which establishes a single accounting model for the impairment or disposal of long-lived assets including discontinued operations. SFAS No. 144 requires that the operations related to facilities that have been sold or that we intend to sell be presented as discontinued operations in the statement of operations for all periods presented, and facilities we intend to sell be designated as "held for sale" on our balance sheet.

When circumstances such as adverse market conditions indicate a possible impairment of the value of a facility, we will review the recoverability of the facility's carrying value. The review of recoverability will be based on our estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the facility's use and eventual disposition. Our forecast of these cash flows will consider factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a facility, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the facility. We will be required to make subjective assessments as to whether there are impairments in the values of our investments in real estate.

**Purchase Price Allocation.** We record above-market and below-market in-place lease values, if any, for the facilities we own which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) 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 remaining non-cancelable terms of the respective leases. We amortize any resulting capitalized below-market lease values (presented in the accompanying balance sheet as value of assumed lease obligations) as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. Because our strategy to a large degree involves the origination of long term lease arrangements at market rates, we do not expect the above-market and below-market in-place lease values to be significant for many of our anticipated transactions.

We measure the aggregate value of other intangible assets to be acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are expected to be made using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in its 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 tangible and intangible assets acquired. In estimating carrying costs, management also 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 range primarily from six to 18 months, depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal 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.

The total amount of other intangible assets to be acquired, if any, is further allocated to in-place lease values and customer relationship intangible values 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 expect to amortize the value of in-place leases, if any, to expense over the initial term of the respective leases, which we expect to range primarily from 10 to 15 years. The value of customer relationship intangibles is amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

**Accounting for Derivative Financial Investments and Hedging Activities.** We expect to account for our derivative and hedging activities, if any, using SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137 and SFAS No. 149, which requires all derivative instruments to be carried at fair value on the balance sheet.

Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. We expect to formally document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking each hedge transaction. We plan to review periodically the effectiveness of each hedging transaction, which involves estimating future cash flows. Cash flow hedges, if any, will be accounted for by recording the fair value of the derivative instrument on the balance sheet as either an asset or liability, with a corresponding amount recorded in other comprehensive income within stockholders' equity. Amounts will be reclassified from other comprehensive income to the income statement in the period or periods the hedged forecasted transaction affects earnings. Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges under SFAS No. 133. We are not currently a party to any derivatives contracts.

**Variable Interest Entities.** In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*. In December 2003, the FASB issued a revision to FIN 46, which is termed FIN 46R. FIN 46R clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* and provides guidance on the identification of entities for which control is achieved through means other than through voting rights and how to determine when and which business enterprise should consolidate such an entity. This model for consolidation applies to an entity in which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. We periodically evaluate the terms of our relationships with our tenants and borrowers to determine whether we are required to consolidate any tenants or borrowers.

**Stock Based Compensation.** We currently apply the intrinsic value method to account for the issuance of stock options under our equity incentive plan in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. In this regard, we anticipate that a substantial portion of our options will be granted to individuals who are our officers or directors. Accordingly, because the grants are expected to be at exercise prices that represent fair value of the stock at the date of grant, we do not currently record any expense related to the issuance of these options under the intrinsic value method. If the actual terms vary from the expected, the impact to our compensation expense could differ.

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock Based Compensation*. SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required. SFAS No. 123(R) becomes effective for public companies with their first annual reporting period that begins after June 15, 2005. For non-public companies, the standard becomes effective for their first fiscal year beginning after December 15, 2005. We are currently evaluating the impact of SFAS No. 123(R) on our financial position and results of operations. However, we do not expect that SFAS No. 123(R) will have a material effect on our financial position and results of operations. Our existing equity incentive plan allows for stock-based awards to be in the form of options, restricted stock, restricted stock units and deferred stock units. The impact of SFAS No. 123(R) will also be affected by the types of stock-based awards that our board of directors chooses to grant.

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We presently have approximately \$122.0 million in cash and temporary liquid investments. We expect to close a \$100.0 million secured revolving credit facility which will replace our existing \$75.0 million term loan (with a present balance of approximately \$40.8 million), thereby providing us with approximately \$59.0 million in additional borrowing availability. In addition, we have approximately \$43.0 million available under a construction/term facility with a bank. We expect to use these resources over the next 12 months for completion of development projects currently under construction and acquisition of additional existing and development projects.

We have definitive agreements to fund the following development projects and acquisitions (in millions):

	<u>Original Commitment</u>	<u>Expended</u>	<u>Remaining Commitment</u>
North Cypress community hospital	\$ 64.0	\$ 2.1	\$ 61.9
West Houston community hospital and medical office building	63.9	45.8	18.1
Bucks County women's hospital and medical office building	37.0	2.2	34.8
Total	<u>\$ 164.9</u>	<u>\$ 50.1</u>	<u>\$ 114.8</u>

We have letters of commitment or other arrangements to acquire or develop additional facilities with an aggregate cost of \$96.2 million. These transactions are subject to various contingencies that must be satisfied before definitive agreements could be executed. Accordingly, there is no assurance that these transactions will be consummated.

We intend to utilize various types of debt to finance a portion of the costs to complete our proposed development facilities and acquire and develop additional facilities. We expect this debt will include long-term, fixed-rate mortgage loans, variable-rate term loans, secured revolving lines of credit and construction financing facilities. We believe we will be able generally to finance up to approximately 50-60% of the cost of our healthcare facilities; however, there is no assurance that we will be able to obtain or maintain those levels of debt on our portfolio of real estate assets on favorable terms in the future. Our ratio of debt to stockholders' equity at June 30, 2005, was 32% as compared to 24% at December 31, 2004.

### *Investing Activities:*

In the first six months of 2005, we acquired three new healthcare facilities for a total cost of \$64.5 million. Our cash outlays for these properties totaled \$56.5 million, which is net of contingent payments and facility improvement reserves. We also invested \$26.4 million in our developments, primarily the West Houston community hospital and medical office building. In addition, we made loan advances, net of contingent payments, of \$4.9 million. In February 2005, Vibra reduced the principal amount of its loans by \$7.7 million.

### **Results of Operations**

The results of our historical operations are generated substantially by investments we have made since we completed our private offering and raised approximately \$233 million in common equity in the second quarter of 2004. We are also in the process of developing additional healthcare facilities that have not yet begun generating revenue, and we expect to acquire additional existing healthcare facilities in the foreseeable future. Accordingly, we expect that future results of operations will vary materially from our historical results.

### ***Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004***

Net income for the three months ended June 30, 2005, was \$4,379,811 compared to a net loss of \$1,069,892 in the three months ended June 30, 2004. We completed our private offering of common equity early in the second quarter of

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2004, prior to which we had no revenues and limited operations. At June 30, 2004, we had eight employees, no operating properties and one development property in the early stages of construction. Our activities in the second quarter of 2004 were concentrated in evaluating potential acquisitions and negotiating the purchase of properties. Accordingly, we do not believe that comparison of 2005's second quarter to the same quarter in 2004 provides significant relevant information about possible future trends or results of operations.

Revenue of \$7,241,777 in the three months ended June 30, 2005, was comprised of rents (85%) and fee and interest income from loans (15%). All of this revenue was derived from properties that we acquired since July 1, 2004. During this three month period, we received percentage rents of approximately \$604,000. These percentage rents occurred due to an increase in patient census at the Vibra facilities from the first quarter of 2005 to the second quarter. Also, the Desert Valley — Victorville facility, which we acquired on February 28, 2005, provided a full three months of rent revenue. Interest income from loans was affected due to Vibra paying down approximately \$7.3 million of principal. Vibra accounted for 87% of our gross revenues during this period. We intend to focus our acquisition efforts to achieve a greater diversity of tenants in the near-term and foreseeable future.

Depreciation and amortization during in the three months ended June 30, 2005, was attributable to properties that we acquired since July 1, 2004.

General and administrative expenses in the three months ended June 30, 2005, which totaled \$1,415,067, were comprised primarily of compensation of approximately \$1.0 million, with the balance made up primarily of legal, office and other administrative expenses.

Other income of \$358,214 in the three months ended June 30, 2005, consisted of interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement and proceeds from debt.

Interest expense in the three months ended June 30, 2005, was \$831,117. Capitalized interest of \$608,378 was recorded in the three months, primarily on the West Houston medical office building and community hospital construction projects.

### ***Six Months Ended June 30, 2005 Compared to the Six Months Ended June 30, 2004***

Net income for the six months ended June 30, 2005, was \$7,939,745 compared to a net loss of \$1,563,618 in the six months ended June 30, 2004.

At June 30, 2004, we had eight employees, no operating properties and one development property in the early stages of construction. Our activities in the first six months of 2004 were primarily evaluating potential acquisitions and negotiating the purchase of properties. Accordingly, we do not believe that comparison of 2005's second quarter to the same quarter in 2004 provides significant relevant information about possible future trends or results of operations.

Revenue of \$13,722,305 in the six months ended June 30, 2005, was comprised of rents (84%) and fee and interest income from loans (16%), all of which was derived from investments made since July 1, 2004. During this six month period, we received percentage rents of approximately \$999,000 from Vibra. Our receipt of percentage rents is dependent upon our tenant reaching certain revenue levels, and there is no assurance that our tenant will continue to achieve this revenue level. Our largest tenant, Vibra, accounted for 87% of our revenues during this period. We intend to focus our acquisition efforts to achieve a greater diversity of tenants in the near-term and foreseeable future.

Depreciation and amortization in the six months ended June 30, 2005, was attributable to properties that we acquired since July 1, 2004.

General and administrative expenses in the six months ended June 30, 2005, which totaled \$3,165,877, were comprised primarily of compensation of approximately \$1.8 million, with the balance made up primarily of legal and other professional fees, occupancy costs for our headquarters office and other administrative expenses.

Other income of \$741,986 in the six months ended June 30, 2005, consisted of interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement and proceeds from long-term debt.

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Interest expense in the six months ended in June 30, 2005, was \$1,542,266, net of capitalized interest. Capitalized interest of approximately \$1,003,779 was recorded in the six months primarily on the West Houston medical office building and community hospital construction projects.

### Reconciliation of Non-GAAP Financial Measures

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. While we believe net income available to common stockholders as defined by generally accepted accounting principles (GAAP) is the most appropriate measure, our management considers FFO an appropriate supplemental measure given its wide use by and relevance to investors and analysts. 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 assume that the value of real estate diminishes predictably over time.

As defined by the National Association of Real Estate Investment Trusts, or NAREIT, FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (losses) on sales of real estate, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We compute FFO in accordance with the NAREIT definition. FFO should not be viewed as a substitute measure of the Company's operating performance since it does 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 are significant economic costs that could materially impact our results of operations.

The following table presents a reconciliation of FFO to net income (loss) for the three and six months ended June 30, 2005 and 2004.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2005	2004	2005	2004
Net income (loss)	\$ 4,379,811	\$ (1,069,892)	\$ 7,939,745	(\$1,563,618)
Depreciation and amortization	973,996	—	1,816,403	—
Funds from operations — FFO	<u>\$ 5,353,807</u>	<u>\$ (1,069,892)</u>	<u>\$ 9,756,148</u>	<u>(\$1,563,618)</u>

#### Per diluted share amounts:

Net income (loss)	\$ .17	\$ (.04)	\$ .30	(\$ .13)
Depreciation and amortization	.04	—	.07	—
Funds from operations — FFO	<u>\$ .21</u>	<u>\$ (.04)</u>	<u>\$ .37</u>	<u>(\$ .13)</u>

### Distribution Policy

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

The table below is a summary of our distributions paid or declared in the six months ended June 30, 2005:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Date of Distribution</u>	<u>Distribution per Share</u>
May 19, 2005	June 20, 2005	July 14, 2005	\$0.16
March 4, 2005	March 16, 2005	April 15, 2005	\$0.11
November 11, 2004	December 16, 2004	January 11, 2005	\$0.11

We intend to pay to our stockholders, within the time periods prescribed by the Code, all or substantially all of our annual taxable income, including taxable gains from the sale of real estate and recognized gains on the sale of securities. It is our policy to make sufficient cash distributions to stockholders in order for us to maintain our status as a REIT under the Code and to avoid corporate income and excise tax on undistributed income.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business plan, we expect that the primary market risk to which we will be exposed is interest rate risk.

In addition to changes in interest rates, the value of our facilities will be subject to fluctuations based on changes in local and regional economic conditions and changes in the ability of our tenants to generate profits, all of which may affect our ability to refinance our debt if necessary.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$408,000 per year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$408,000 per year. This assumes that the amount outstanding under our variable rate debt remains approximately \$40.8 million, the balance at August 19, 2005.

We currently have no assets denominated in a foreign currency, nor do we have any assets located outside of the United States. We also have no exposure to derivative financial instruments.

**Item 4. Controls and Procedures**

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

As required by Rule 13a-15(b), under the Securities Exchange Act of 1934, as amended, we have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be disclosed by the Company in the reports that the Company files with the SEC.

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

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

Not applicable.

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

(a) Between April 1, 2005 and June 30, 2005 we awarded 82,000 shares of restricted common stock to certain of our employees. These shares were issued in reliance upon exemptions from registration set forth in Section 4(2) of the Securities Act of 1933, as amended, and Rule 701 thereunder.

(b)

1. The effective date of the Securities Act registration statement for which the use of proceeds information is being disclosed was July 7, 2005, and the SEC file number assigned to the registration statement is 333-119957.
2. The offering commenced as of July 8, 2005.
3. The offering did not terminate before any securities were sold.
4.
  - (i) As of the date of the filing of this report, the offering has terminated and 13,175,023 of the securities registered were sold.
  - (ii) The names of the managing underwriters are Friedman, Billings, Ramsey & Co., Inc. and J. P. Morgan Securities, Inc.
  - (iii) Our common stock, par value \$0.001 per share, was the class of securities registered.
  - (iv) We registered 13,175,023 shares of our common stock (which included 1,810,023 shares solely to cover over-allotments), having an aggregate price of the offering amount registered of approximately \$138.3 million. In addition, 701,823 shares, having an aggregate offering price of approximately \$7.4 million owned by selling stockholders were registered. As of the date of the filing of this report all of the shares registered have been sold.
  - (v) From July 8, 2005 to the filing of this report, a reasonable estimate of the amount of expenses incurred by us in connection with the issuance and distribution of the securities totaled approximately \$13.1 million, which consisted of direct payments of \$9.7 million in underwriters discount and fees and \$3.5 million in other issuance and distribution expenses. No payments for such expenses were made to (i) any of our directors, officers, general partners or their associates, (ii) any person(s) owning 10% or more of any class of our equity securities or (iii) any of our affiliates.
  - (vi) Our net offering proceeds after deducting our total expenses were approximately \$125.2 million.
  - (vii) We contributed the net proceeds of the offering to our Operating Partnership. Our Operating Partnership used the net proceeds from the offering as follows:
    - approximately \$3.2 million to fund construction and development costs on the North Cypress project;
    - approximately \$2.2 million to fund construction and development costs on the West Houston community hospital and medical office building project, and;
    - approximately \$500,000 to temporarily pay down principal on long-term debt.No payments out of the net proceeds were made to (i) any of our directors, officers, general partners or their associates, (ii) any person(s) owning 10% or more of any class of our equity securities or (iii) any of our affiliates.
  - (viii) The uses of proceeds described do not represent a material change in the use of proceeds described in our registration statement.

(c) Not applicable.

### Item 3. Defaults Upon Senior Securities

Not applicable.

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**Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits**

The following exhibits are filed as a part of this report:

<b>Exhibit Number</b>	<b>Description</b>
3.1	Amended and Restated Bylaws
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350

**SIGNATURE**

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

**MEDICAL PROPERTIES TRUST, INC.**

By: /s/ R. Steven Hamner

R. Steven Hamner

Executive Vice President and Chief Financial Officer

(On behalf of the Registrant and as the Registrant's

Principal Financial and Accounting Officer)

Date: August 22, 2005

**INDEX TO EXHIBITS**

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MEDICAL PROPERTIES TRUST, INC.  
AMENDED AND RESTATED BYLAWSARTICLE I  
STOCKHOLDERS

Section 1.01 Annual Meeting. The annual meeting of the stockholders of Medical Properties Trust, Inc. (the "Corporation") shall be held at the principal office of the Corporation in the State of Maryland or at any other place within or without the State of Maryland as may be designated by the Board of Directors. The annual meeting shall be held at such time and on such date in May of each year as is determined by the Board of Directors; provided, however, that the 2005 annual meeting shall be held at such time and on such date during October 2005 as is determined by the Board of Directors. The business to be transacted at the meeting shall be the election of directors and such other business as is properly brought before the meeting. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts.

Section 1.02. Notification of Stockholder Business. At the annual meeting of stockholders only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the annual meeting (a) pursuant to the notice of meeting delivered to stockholders in accordance with Section 1.04 below, (b) by, or at the direction of, a majority of the Board of Directors or (c) by any stockholder of the Corporation who is a stockholder of record at the time of giving notice provided for in this Section 1.02 and at the time of the meeting is entitled to vote at the meeting and complies with the notice procedures set forth in this Section 1.02. For a proposal to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive office of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the date of the mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after the anniversary date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than one hundred twenty (120) days prior to such annual meeting and not later than the later of sixty (60) days prior to such annual meeting and ten (10) days following the issuance by the Corporation of a press release announcing the meeting date. In no event shall the public announcement of a postponement or adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above.

A stockholder's notice must contain, as of the date such notice is delivered to the Secretary of the Corporation:

- (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting;

(b) the name and address of the stockholder who intends to propose such business;

(c) a representation that the stockholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at such meeting to propose such business;

(d) any material interest of the stockholder in such business; and

(e) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

The presiding officer of the meeting shall have the discretion to declare at the meeting that any business proposed by a stockholder to be considered at the meeting is out of order and that such business shall not be transacted at the meeting if the presiding officer concludes that the matter has been proposed in a manner inconsistent with the procedures set out in this Section 1.02.

Section 1.03. Special Meetings. Special meetings of the stockholders may be called by the President, the Board of Directors, or, subject to the provisions of Section 2-502 of the Maryland General Corporation Law, by the holders of at least twenty-five percent (25%) of the stock entitled to vote at that meeting.

Section 1.04. Notice Of Meetings. A written notice of all annual meetings of stockholders stating the time, date and place of such annual meetings and, to the extent required by the Maryland General Corporation Law, the purpose for which the meeting has been called shall be given by the Secretary or an Assistant Secretary (or other person authorized by these Bylaws or by law) not less than ten (10) days nor more than ninety (90) days before the meeting, unless any provisions of the Maryland General Corporation Law prescribe a different period of notice, to each stockholder entitled to vote at such meeting or to each stockholder who, under the Corporation's Articles of Incorporation, as amended from time to time (the "Charter") or under these Bylaws, is entitled to such notice, by delivering such notice to him or by mailing it, postage prepaid, addressed to such stockholder at the address of such stockholder as it appears on the Corporation's stock transfer books or by any other means permitted by Maryland law. At any time, upon the written request of any person or persons entitled to call a special meeting, it shall be the duty of the Secretary to send out notice of the special meeting, to be held within or without the State of Maryland and at such time and on such date as may be fixed by the Board of Directors, such notice to be given to each stockholder not less than ten (10) nor more than ninety (90) days before such meeting is to take place in the same manner as provided for annual meetings of stockholders and to state the time, date and place of such special meeting and the purpose or purposes for which the meeting has been called. Only those matters set forth in the notice of a special meeting may be considered or acted upon at such special meeting. Such notices shall be deemed to be delivered when hand delivered to such stockholder's address or if mailed, when deposited in the mail so addressed, with postage prepaid. A stockholder may

waive the notice of any meeting of stockholders by attendance, either in person or by proxy, at the meeting, or by delivery of a written waiver or a waiver by electronic transmission, either before or after the meeting, which is filed with the records of stockholders meetings. Attendance at a meeting for the express purpose of objecting that the meeting was not lawfully called or convened shall not, however, constitute a waiver of notice.

Section 1.05 Adjournment. Any meeting of stockholders may be adjourned from time to time, whether or not there is a quorum, by the President or the vote of a majority of the shares present. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken except as provided by law. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is to a date more than one hundred twenty (120) days after the original record date, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.06. Quorum. Except as otherwise provided by law, stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, represented in person or by proxy, shall constitute a quorum at any annual or special meeting of stockholders; but if less than a quorum is present at a meeting, stockholders present or the presiding officer may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 1.04 above. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 1.07. Voting And Proxies. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the books of the Corporation, unless otherwise provided by law or by the Charter. Stockholders may vote either in person or by written proxy, but no proxy shall be voted or acted upon after eleven months from its date, unless the proxy provides for a longer period. Proxies shall be filed with the Secretary of the meeting before being voted. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger.

Section 1.08. Action At Meeting. When a quorum is present, any matter before any annual or special meeting of stockholders, other than the election of directors, shall be decided by vote of the holders of a majority of the shares of stock voting on such matter, except where a larger vote is required by law, by the Charter or by these Bylaws. Any election of directors by stockholders shall be determined by a plurality of the votes cast, except where a larger vote is required by law, by the Charter or by these Bylaws. The Corporation shall not directly or indirectly vote any shares of its own stock except as to shares which it holds in a fiduciary capacity or except as otherwise permitted by law. An abstention shall not be deemed a vote cast.

Section 1.09. Conduct of Stockholders Meetings. The presiding officers at stockholder meetings shall be determined as provided in Article III hereof. The precedence of, and procedure on, motions and other procedural matters at such meetings shall be as determined by the presiding officer of the meeting, in his sole discretion, provided that he acts in a manner not inconsistent with law, with the Charter or with these Bylaws. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Voting by the stockholders shall be by voice or by ballot as determined by the presiding officer of the meeting.

Section 1.10. Inspectors Of Election. The Board of Directors by resolution may appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at a meeting of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed by the Board of Directors to act or is able to act at a meeting of stockholders, the presiding officer of the meeting may appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law. The presiding officer of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 1.11 List Of Stockholders Entitled To Vote. The Secretary shall make, or shall cause to be made, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares of stock registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

## ARTICLE II DIRECTORS

Section 2.01. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided by the Charter or required by law.

Section 2.02. Number and Term. The number of directors shall not be less than one (1) nor or more than fifteen (15), as fixed from time to time by the Board of Directors, with the initial Board of Directors consisting of three (3) directors; provided, however, that the tenure of office of a director shall not be affected by any increase or decrease in the number of directors so made

by the Board of Directors. Directors shall be elected at the annual meeting of the stockholders, and each director shall serve until the next annual meeting of stockholders and until his successor shall be duly elected and qualify.

Section 2.03. Notification of Stockholder Nominations. Nomination of candidates for election as directors of the Corporation at any annual or special meeting of stockholders may be made (a) by, or at the direction of, a majority of the Board of Directors or (b) by any stockholder entitled to vote at such annual meeting. Only persons nominated in accordance with the procedures set forth in this Section 2.03 shall be eligible for election as directors at an annual or special meeting of stockholders.

Nominations, other than those made by, or at the direction of, the Board of Directors shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 2.03. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive office of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the date of the mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after the anniversary date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than one hundred twenty (120) days prior to such annual meeting and not later than the later of sixty (60) days prior to such annual meeting and ten (10) days following the issuance by the Corporation of a press release announcing the meeting date. In no event shall the public announcement of a postponement or adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth, as of the date such notice is delivered to the Secretary of the Corporation:

(a) as to each person whom the stockholder proposes to nominate for election or re-election as a director:

(i) the name, age, business address and residence address of such person;

(ii) the principal occupation or employment of such person;

(iii) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such stockholder notice;

(iv) the consent of each nominee to serve as a director of the Corporation if so elected; and

(v) any other information relating to such person that would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and

(b) as to the stockholder giving the notice:

(i) a brief description of the nominations desired to be brought before the meeting and the reasons for making such nominations at the meeting;

(ii) the name and address of the stockholder who intends to make such nominations;

(iii) a representation that the stockholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at such meeting to make such nominations;

(iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person (naming such person or persons) pursuant to which the nominations are to be made by the stockholder; and

(v) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (A) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (B) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

The presiding officer of the meeting may refuse to acknowledge the nomination of any person made without compliance with the foregoing procedure.

Section 2.04. Qualification. Directors need not be a stockholders of the Corporation. Unless waived by a vote of the Board of Directors, no individual may serve as a director of the Corporation if he has reached the age of seventy-five (75) years at the time of election.

Section 2.05. Vacancies. Vacancies occurring in the Board of Directors, other than those resulting from an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. Vacancies resulting from an increase in the number of directors may be filled by a majority of the entire Board of Directors. A director elected to fill a vacancy shall be elected to serve until the next election of directors and until his successor shall be elected and qualified.

Section 2.06. Resignation. Any director may resign at any time by giving written notice to the Board of Directors, effective upon execution and delivery to the Corporation of such written notice or upon any future date specified in the notice, unless the resignation otherwise provides.

Section 2.07. Regular Meetings. Regular meetings of the Board of Directors shall be held, without other notice than this Bylaw, on the same date and at the same place as the annual meeting of stockholders following the close of such meeting of stockholders and at such other times as the Board of Directors may by resolution from time to time determine without other notice than such resolution.

Section 2.08. Special Meetings. Special meetings of the Board of Directors may be called, orally or in writing, by or at the request of a majority of the directors, the Chairman of the Board, if one

is elected, or the President. The person calling any such special meeting of the Board of Directors may fix the hour, date and place thereof.

Section 2.09. Notice Of Meetings. Notice of the hour, date and place of all special meetings of the Board of Directors shall be given to each director by the Secretary or an Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the Chairman of the Board, if one is elected, or the President or such other officer designated by the Chairman of the Board, if one is elected, or the President. Notice of any special meeting of the Board of Directors shall be given to each director in person or by telephone, electronic mail, facsimile transmission or by telegram sent to his business or home address at least twenty-four (24) hours in advance of the meeting, or by written notice mailed to his business or home address at least seventy-two (72) hours in advance of the meeting. Such notice shall be deemed to be delivered when hand delivered to such address, read to such director by telephone, deposited in the mail so addressed, with postage thereon prepaid if mailed, upon transmission of the message by electronic mail, upon completion of transmission of a facsimile message and receipt of a completed answer back indicating receipt or when delivered to the telegraph company if sent by telegram.

When any meeting of the Board of Directors, either regular or special, is adjourned for more than thirty (30) days, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the hour, date or place of any meeting adjourned for thirty (30) days or less or of the business to be transacted at such meeting, other than an announcement at the meeting at which such adjournment is taken of the hour, date and place to which the meeting is adjourned.

A written waiver of notice executed, or a waiver of notice sent by electronic mail, before or after a meeting by a director and filed with the records of the meeting shall be deemed to be equivalent to notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting. Except as otherwise required by law, by the Charter or by these Bylaws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 2.10. Quorum. At any meeting of the Board of Directors, a majority of the Board of Directors then in office shall constitute a quorum for the transaction of business, but if less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in this Section 2.10. Any business which might have been transacted at the meeting as originally noticed may be transacted at such adjourned meeting at which a quorum is present.

Section 2.11. Action At Meeting. At any meeting of the Board of Directors at which a quorum is present, a majority of the directors present may take any action on behalf of the Board of Directors, unless otherwise required by law, by the Charter or these Bylaws.

Section 2.12. Action By Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors

consent thereto in writing. Such written consent shall be filed with the records of the proceedings of the Board of Directors and shall be treated for all purposes as a vote at a meeting of the Board of Directors.

Section 2.13. Manner Of Participation. Members of the Board of Directors or of committees elected by the Board of Directors pursuant to Section 2.14 below may participate in meetings of the Board or of such committees by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these Bylaws.

Section 2.14. Committees. The Board of Directors, by the affirmative vote of a majority of the directors then in office, may appoint from its number directors to serve on one or more committees, including an Audit Committee, a Compensation Committee, an Ethics, Nominating and Corporate Governance Committee and an Investment Committee, and may delegate thereto some or all of its powers except those which by law, by the Charter or by these Bylaws, may not be delegated. Except as the Board of Directors may otherwise determine or as required by law, by the Charter or these Bylaws, any such committee may make rules for conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by the Charter and by these Bylaws for the Board of Directors. The Board of Directors may abolish any such committee, other than the Audit Committee, at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its action to the Board of Directors.

The Board of Directors shall have power to rescind any action of any committee, other than the Audit Committee, but no such rescission shall have retroactive effect. With the approval of the Board of Directors, the Chief Executive Officer may appoint such other committees consisting of such directors as the Chief Executive Officer shall select. Any recommendations of such committees appointed by the Chief Executive Officer shall be submitted to the Board of Directors for its approval.

Section 2.15. Compensation Of Directors. Directors shall receive compensation for their services as shall be determined by a majority of the Board of Directors, except that directors who are serving the Corporation as officers or employees and who receive compensation for their services as such ("Employee Directors") shall not receive any salary or other compensation for their services as directors of the Corporation; provided, however, that such Employee Directors may be paid their reasonable expenses incurred as a director.

### ARTICLE III OFFICERS

Section 3.01. Enumeration. The officers of the Corporation shall consist of a President, a Chief Executive Officer, a Secretary and a Treasurer and such other officers, including without limitation a Chairman of the Board, a Chief Operating Officer, a Chief Financial Officer, a Chief

Accounting Officer, one or more Vice Presidents (including Executive Vice Presidents or Senior Vice Presidents), Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, as the Board of Directors may determine.

Section 3.02. Election And Appointment. At the regular meeting of the Board of Directors following the annual meeting of stockholders, the Board of Directors shall elect the President, the Chief Executive Officer, the Chief Financial Officer, the Treasurer and the Secretary. Other officers may be elected by the Board of Directors at such regular meeting of the Board of Directors or at any other regular or special meeting.

Section 3.03. Qualification. No officer need be a stockholder or a director, except that the Chairman of the Board must be a director. Any person may occupy more than one office of the Corporation at any time except the offices of President and Vice President. Any officer may be required by the Board of Directors to give bond, at the Corporation's expense, for the faithful performance of his duties in such amount and with such sureties as the Board of Directors may determine.

Section 3.04. Tenure. Except as otherwise provided by the Charter or by these Bylaws, each of the officers of the Corporation shall hold office until the regular meeting of the Board of Directors following the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal. Election or appointment of an officer, employee or agent shall not of itself create contract rights. The Board of Directors may, however, authorize the Corporation to enter into an employment contract with any officer in accordance with law, but no such contract right shall prohibit the right of the Board of Directors to remove any officer at any time in accordance with Section 3.06 below.

Section 3.05. Resignation. Any officer may resign by delivering written notice of his resignation to the Corporation addressed to the President or the Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Unless otherwise specified in the notice, the acceptance of a resignation shall not be necessary to make the resignation effective.

Section 3.06. Removal. If the Board of Directors in its judgment finds that the best interests of the Corporation will be served, the Board of Directors may remove any officer by the affirmative vote of a majority of the directors then in office. Such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 3.07. Absence Or Disability. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

Section 3.08. Vacancies. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

Section 3.09. Chief Executive Officer. The President shall be the Chief Executive Officer, unless the Board of Directors shall elect another officer to be the Chief Executive Officer. The

Chief Executive Officer shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business and shall preside, when present, at all meetings of the stockholders.

Section 3.10. Chairman Of The Board. The Chairman of the Board shall preside at all meetings of the Board of Directors. If the Chairman of the Board is absent, the President shall preside at meetings of the Board of Directors. If the Chairman of the Board is not the Chief Executive Officer and in the absence of the Chief Executive Officer, the Chairman of the Board shall preside, when present, at all meetings of the stockholders. The Chairman of the Board shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate. If the Chairman of the Board is not the Chief Executive Officer, he shall also have such powers and perform such duties as the Chief Executive Officer may from time to time designate.

Section 3.11. President. In the absence of the Chairman of the Board, the President shall preside, when present, at all meetings of the Board of Directors. If the President is not the Chief Executive Officer or Chairman of the Board and in the absence of such persons, the President shall preside, when present, at all meetings of the stockholders. If the President is not the Chief Executive Officer, he shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

Section 3.12. Chief Operating Officer, Chief Financial Officer And Chief Accounting Officer. Any Chief Operating Officer, Chief Financial Officer or Chief Accounting Officer shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

Section 3.13. Vice Presidents And Assistant Vice Presidents. Any Vice President (including any Executive Vice President or Senior Vice President) and Assistant Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

Section 3.14. Treasurer And Assistant Treasurers. The Treasurer shall have all the powers and duties usually incident to the office of Treasurer, except as the Board of Directors may otherwise provide. He shall have custody of all funds, securities, and valuable documents of the Corporation. He shall have such other duties and powers as may be designated from time to time by the Board of Directors. In the absence of a Chief Financial Officer, the Treasurer shall be deemed to be the Chief Financial Officer of the Corporation whenever the signature of the Chief Financial Officer is required on any document or instrument, by the laws of the United States or any state, or elsewhere in the Bylaws, and the Treasurer shall have authority to affix his signature in such capacity. Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors may from time to time designate.

Section 3.15. Secretary And Assistant Secretaries. The Secretary shall have all the powers and duties usually incident to the office of Secretary, except as the Board of Directors may otherwise provide. The Secretary shall record all the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board) in books kept for that purpose. In

the absence of the Secretary from any such meeting, a secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). The Secretary shall have custody of the seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by the signature of the Secretary or an Assistant Secretary. The Secretary shall have such other duties and powers as may be designated from time to time by the Board of Directors. In the absence of the Secretary, any Assistant Secretary may perform the duties and responsibilities of the Secretary.

Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors may from time to time designate.

Section 3.16. Salaries. The salaries of the officers shall be fixed from time to time by the Board (or an appropriately designated committee of the Board) and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

Section 3.17. Other Powers And Duties. Subject to these Bylaws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors.

#### ARTICLE IV STOCK

Section 4.01. Certificates Of Stock. Unless otherwise provided by the Board of Directors or by law, each stockholder shall be entitled to a certificate of the stock of the Corporation in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall bear the seal of the Corporation, if one has been adopted, and shall be signed by the Chairman of the Board of Directors, President or a Vice President and countersigned by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. The seal of the Corporation, if one has been adopted, and any and all signatures on the certificate may be a facsimile, including those of any transfer agent or registrar. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law.

Section 4.02. Transfers. Subject to any restrictions on transfer and unless otherwise provided by the Board of Directors, shares of stock may be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment or power of attorney properly executed, with

transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require.

Section 4.03. Record Holders. Except as may otherwise be required by law, by the Charter or by these Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

Section 4.04. Record Date. In order that the Corporation may determine the stockholders entitled to receive notice of or to vote at any meeting of stockholders or any adjournments thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than ninety (90) days nor less than ten (10) days before the date of such meeting, nor more than ninety (90) days prior to any other action. In such case, only stockholders of record on such record date shall be so entitled, notwithstanding any transfer of stock on the stock transfer books of the Corporation after the record date.

If no record date is fixed:

(a) the record date for determining stockholders entitled to receive notice of or to vote at a meeting of stockholders shall be the later of (i) the close of business on the day on which notice is mailed or (ii) the 30th day before the meeting; and

(b) the record date for determining stockholders entitled to receive payment of a dividend or an allotment of any rights shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 4.05. Lost, Destroyed, or Stolen Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed, or stolen except on production of evidence, satisfactory to the Board of Directors, of that loss, destruction or theft, and, if the Board of Directors so requires, upon the furnishing of an indemnity bond in such amount (but not to exceed twice the value of the shares represented by the certificate) and with such terms and surety as the Board of Directors, if any, in its discretion, require.

Section 4.06. Transfer Agents And Registrars. The Corporation may serve as the transfer agent and registrar of the shares of stock, or the Board of Directors may, in its discretion, appoint one or more responsible banks, trust companies or other entity as the Board of Directors may deem advisable, from time to time, to act as transfer agents and registrars of shares of stock. No certificate for shares of stock shall be valid until countersigned by the transfer agent and registered by the registrar.

Section 4.07. Stockholders' Addresses. Every stockholder or transferee shall furnish the Secretary or a transfer agent with the address to which notice of meetings and all other notices may be served upon or mailed to such stockholder or transferee, and in default thereof, such stockholder or transferee shall not be entitled to service or mailing of any such notice.

Section 4.08. Stock Ledger. The Corporation shall maintain a stock ledger which contains the name and address of each stockholder and the number of shares of stock of each class which the stockholder holds. The stock ledger may be in written form or in any other form, which can be converted within a reasonable time into written form for visual inspection. The original or a duplicate of the stock ledger shall be kept at the offices of a transfer agent for the particular class of stock, or, if none, at the principal executive offices of the Corporation.

#### ARTICLE V INDEMNIFICATION

Section 5.01. Right To Indemnification. The Corporation shall, to the maximum extent permitted by the Maryland General Corporation Law in effect from time to time, indemnify, and, without a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee from and against any claim or liability to which such person may become subject or which such person may incur by reason of his status as a present or former director or officer of the Corporation or director, officer, partner or trustee of such other entity (each, an "Indemnitee"). The Corporation shall, to the maximum extent permitted by the Maryland General Corporation Law in effect from time to time, provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described above (any such person shall also be deemed to be an "Indemnitee").

Section 5.02. Indemnification Of Employees And Agents Of The Corporation. With the approval of the Board of Directors, the Corporation shall, to the maximum extent permitted by the Maryland General Corporation Law in effect from time to time, and to such further extent as it shall deem appropriate under the circumstances, provide such indemnification and advancement of expenses as described in Section 5.01 above, to any employee or agent of the Corporation or a predecessor of the Corporation (each such person shall also be deemed to be an "Indemnitee").

Section 5.03. Right Of Indemnitee To Bring Suit. If a claim under this Article V is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the Indemnitee is successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover

an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. In any suit brought by an Indemnitee who is a present or former director to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of expenses), it shall be a defense that such Indemnitee has not met the applicable standard of conduct set forth in the Maryland General Corporation Law. In addition, in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the Indemnitee who is a present or former director has not met the applicable standard of conduct set forth in the Maryland General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Maryland General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article V or otherwise shall be on the Corporation.

Section 5.04. Non-Exclusivity Of Rights. The rights to indemnification and to advancement of expenses conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under these Bylaws, the Charter or any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5.05 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or any director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Maryland General Corporation Law.

#### ARTICLE VI MISCELLANEOUS PROVISIONS

Section 6.01. Fiscal Year. The fiscal year of the Corporation shall end on December 31 of each year or on such other date as may be fixed by the Board of Directors.

Section 6.02. Seal. The seal of the Corporation shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the year of its organization. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced.

Section 6.03. Investment Policies. The directors may from time to time adopt, amend, revise or

terminate any policy or policies with respect to investments by the Corporation as they shall deem appropriate in their sole discretion.

Section 6.04. Execution Of Instruments. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without director action may be executed on behalf of the Corporation by the Chairman of the Board, if one is elected, the Chief Executive Officer the President or the Treasurer or any other officer, employee or agent of the Corporation as the Board of Directors may authorize.

Section 6.05. Voting Of Securities. Unless the Board of Directors otherwise provides, the Chairman of the Board, if one is elected, the Chief Executive Officer, the President or the Treasurer may waive notice of and act on behalf of this Corporation, or appoint another person or persons to act as proxy or attorney in fact for this Corporation with or without discretionary power or power of substitutions, at any meeting of stockholders of any other corporation or organization the securities of which are held by this Corporation.

Section 6.06 Resident Agent. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

Section 6.07. Corporate Records. The original or attested copies of the Charter, Bylaws and records of all meetings of the incorporators, stockholders and the Board of Directors and the stock transfer books, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, may be kept outside the State of Maryland and shall be kept at the principal office of the Corporation, at the office of its counsel or at an office of its transfer agent.

Section 6.08. Amendments. These Bylaws may be altered, amended or repealed, and new bylaws adopted, by the vote of a majority of the entire Board of Directors or by a vote of a majority of the voting power of the common stock of the Corporation.

Section 6.09. Offices. The principal office of the Corporation within the State of Maryland shall be located at such place as the Board of Directors may designate. The Corporation may have additional offices, including a principal executive office, at such place or places both within and without the State of Maryland as the Board of Directors may from time to time determine or the business of the Corporation may require.

As amended through August 18, 2005.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Edward K. Aldag, Jr., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Medical Properties Trust, Inc.
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2005

/s/ Edward K. Aldag, Jr.

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, R. Steven Hamner, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Medical Properties Trust, Inc.
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 22, 2005

/s/ R. Steven Hamner

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R. Steven Hamner  
Executive Vice President and  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES ACT OF 1934 AND 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Medical Properties Trust, Inc. (the "Company") for the quarter ended June 30, 2005 (the "Report"), each of the undersigned, Edward K. Aldag, Jr. and R. Steven Hamner, certifies, pursuant to Section 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 22, 2005

/s/ Edward K. Aldag, Jr.

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

/s/ R. Steven Hamner

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R. Steven Hamner  
Executive Vice President and  
Chief Financial Officer