REGISTRATION NO. 333-119957

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 1, 2005.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 6

TO
FORM S-11
FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

MEDICAL PROPERTIES TRUST, INC.
(Exact name of registrant as specified in its governing instruments)
1000 URBAN CENTER DRIVE, SUITE 501, BIRMINGHAM, ALABAMA 35242
(205) 969-3755
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

EDWARD K. ALDAG, JR.
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
MEDICAL PROPERTIES TRUST, INC.
1000 URBAN CENTER DRIVE, SUITE 501, BIRMINGHAM, ALABAMA 35242
(205) 969-3755
(Name, address, including zip code, and telephone number, including area code, of agent for service)
WITH A COPY TO:

THOMAS O. KOLB
B.G. MINISMAN, JR.
BAKER, DONELSON, BEARMAN, CALDWELL & BERKOWITZ, PC
SUITE 1600
420 20TH STREET NORTH
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DANIEL M. LEBEY
EDWARD W. ELMORE, JR.
HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074
(804) 788-8200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ] ____________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ] ____________

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ] ____________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES BEING REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(2)
Common Stock, $.001 par value..................		

$166,522,152 $19,539 -

(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(o) under the Securities Act.

(2) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. We cannot sell any of the securities described in this prospectus until the registration statement that we have filed to cover the securities has become effective under the rules of the Securities and Exchange Commission. This prospectus is not an offer to sell the securities, nor is it a solicitation of an offer to buy the securities, in any state where an offer or sale of the securities is not permitted.

SUBJECT TO COMPLETION, DATED JULY 1, 2005

PROSPECTUS

12,066,823 SHARES OF COMMON STOCK

(MEDICAL PROPERTIES TRUST LOGO)

We are a self-advised real estate company that acquires, develops and net-leases healthcare facilities. We expect to qualify as a real estate investment trust, or REIT, for federal income tax purposes and will elect to be taxed as a REIT under the federal income tax laws.

This is our initial public offering of common stock. No public market currently exists for our common stock. We are offering 11,365,000 shares of common stock and 701,823 shares of common stock are being offered by the selling stockholders described in this prospectus. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

We expect the initial public offering price to be between $10.00 and $12.00 per share. We have applied to list our common stock on the New York Stock Exchange under the symbol "MPW."

SEE "RISK FACTORS" BEGINNING ON PAGE 17 OF THIS PROSPECTUS FOR THE MOST SIGNIFICANT RISKS RELEVANT TO AN INVESTMENT IN OUR COMMON STOCK, INCLUDING, AMONG OTHERS:

- We were formed in August 2003 and have a limited operating history; our management has a limited history of operating a REIT and a public company and may therefore have difficulty in successfully and profitably operating our business.

- We may be unable to acquire or develop the facilities we have under letter of commitment or contract or facilities we have identified as potential candidates for acquisition or development as quickly as we expect or at all, which could harm our future operating results and adversely affect our ability to make distributions to our stockholders.

- Our real estate investments will be concentrated in net-leased healthcare facilities, making us more vulnerable economically than if our investments were more diversified across several industries or property types.

- Our facilities and properties under development are currently leased to five tenants, three of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of loan commitment fees and repayment of loans we have made or intend to make to them, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

- Development and construction risks, including delays in construction, exceeding original estimates and failure to obtain financing, could adversely affect our ability to make distributions to our stockholders.

- Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent or loan payments to us.

- The healthcare industry is heavily regulated and existing and new laws or regulations, changes to existing laws or regulations, loss of licensure or certification or failure to obtain licensure or certification could result in the inability of our tenants to make lease or loan payments to us.

- Failure to obtain or loss of our tax status as a REIT would have significant adverse consequences to us and the value of our common stock.

- Our loans to Vibra could be recharacterized as equity, in which case our rental income from Vibra would not be qualifying income under the REIT rules and we could lose our REIT status.

- Common stock eligible for future sale, including up to 24,539,177 shares that may be resold by our existing stockholders upon effectiveness of our resale registration statement, may result in increased selling which may have an adverse effect on our stock price.

- If you purchase common stock in this offering, you will experience immediate dilution of approximately $2.08 in net tangible book value per share.

PER SHARE TOTAL --------- -------- Public

offering price..
Underwriting discount.......................................
Proceeds, before expenses, to us........................... Proceeds, before expenses, to selling stockholders..........

The underwriters may also purchase up to an additional 1,810,023 shares of common stock from us at the public offering price, less the underwriting discount, within 30 days after the date of this prospectus solely to cover over-allotments, if any.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We expect the shares of common stock to be available for delivery on or about , 2005.

FRIEDMAN BILLINGS RAMSEY JPMORGAN
WACHOVIA SECURITIES STIFEL, NICOLAUS & COMPANY INCORPORATED

THE DATE OF THIS PROSPECTUS IS , 2005.

TABLE OF CONTENTS

SUMMARY

The following summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors" and our financial statements and pro forma financial information and related notes appearing elsewhere in this prospectus, before making a decision to invest in our common stock. In this prospectus, unless the context suggests otherwise, references to "MPT," "the company," "we," "us" and "our" mean Medical Properties Trust, Inc., including our operating partnership, MPT Operating Partnership, L.P., its general partner and our wholly-owned limited liability company, Medical Properties Trust, LLC, as well as our other direct and indirect subsidiaries. Unless otherwise indicated, the information included in this prospectus assumes no exercise by the underwriters of their over-allotment option to purchase up to an additional 1,810,023 shares of common stock from us and that the common stock to be sold in this offering is sold at $11.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.

OUR COMPANY

We are a self-advised real estate company that acquires, develops and leases healthcare facilities providing state-of-the-art healthcare services. We lease our facilities to healthcare operators pursuant to long-term net-leases, which require the tenant to bear most of the costs associated with the property. From time to time, we also make loans to our tenants and other parties. We were formed in August 2003 and completed a private placement of our common stock in April 2004 in which we raised net proceeds of approximately $233.5 million. Shortly after completion of our private placement, we began to acquire our current portfolio of twelve facilities, consisting of nine facilities that are in operation and three facilities that are under development. We acquired six operating facilities in July and August of 2004 for an aggregate purchase price of $127.4 million, including acquisition costs, from Care Ventures, Inc. We also made loans of approximately $49.1 million to the new tenant of these facilities. One of the loans has been repaid and the remaining loan has a principal balance of approximately $41.4 million. We acquired one operating facility in February 2005 for a purchase price of $28.0 million from Prime A Investments, LLC. In June 2005 we acquired a long-term acute care hospital for a purchase price of $11.5 million from Covington Healthcare Properties, L.L.C. and a community hospital for a purchase price of $20.8 million from Vibra Healthcare, LLC.

We focus on acquiring and developing rehabilitation hospitals, long-term acute care hospitals, regional and community hospitals, women's and children's hospitals, skilled nursing facilities and ambulatory surgery centers as well as other specialized single-discipline and ancillary facilities. We believe that these types of facilities will capture an increasing share of expenditures for healthcare services. We believe that our strategy for acquisition and development of these types of net-leased facilities, which generally require a physician's order for patient admission, distinguishes us as a unique investment alternative among real estate investment trusts, or REITs.

We believe that the U.S. healthcare delivery system is becoming decentralized and is evolving away from the traditional "one stop," large-scale acute care hospital. We believe that this change is the result of a number of trends, including increasing specialization and technological innovation within the healthcare industry and the desire of both physicians and patients to utilize more convenient facilities. We also believe that demographic trends in the U.S., including, in particular, an aging population, will result in continued growth in the demand for healthcare services, which in turn will lead to an increasing need for a greater supply of modern healthcare facilities. In response to these trends, we believe that healthcare operators increasingly prefer to conserve their capital for investment in operations and new technologies rather than investing in real estate and, therefore, increasingly prefer to lease, rather than own, their facilities. Given these trends and the size, scope and growth of this dynamic industry, we believe that there are significant opportunities to acquire and develop net-leased healthcare facilities at attractive, risk-adjusted returns.

Our management team has extensive experience in acquiring, owning, developing, managing and leasing healthcare facilities; managing investments in healthcare facilities; acquiring healthcare companies;

and managing real estate companies. Our management team also has substantial experience in healthcare operations and administration, which includes many years of service in executive positions for hospitals and other healthcare providers, as well as in physician practice management and hospital/physician relations. We believe that our management's ability to combine traditional real estate investment expertise with an understanding of healthcare operations enables us to successfully implement our strategy.

We intend to make an election to be taxed as a REIT under the Internal Revenue Code, or the Code, commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004.

Our principal executive offices are located at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. Our telephone number is (205) 969-3755. Our Internet address is www.medicalpropertiestrust.com. The information on our website does not constitute a part of this prospectus.

OUR PORTFOLIO

OUR CURRENT PORTFOLIO OF FACILITIES

Our current portfolio of facilities consists of twelve healthcare facilities, nine of which are in operation and three of which are under development. Four rehabilitation hospitals and two long-term acute care hospitals that are in operation were acquired in 2004 and are leased to subsidiaries of Vibra Healthcare, LLC, or Vibra, formerly known as Highmark Healthcare, LLC, a recently formed specialty healthcare provider with operations in six states. We refer to these facilities in this prospectus as the Vibra Facilities. A seventh facility in operation, a community hospital which has an integrated medical office building, is leased to Desert Valley Hospital, Inc., or DVH. We refer to this facility in this prospectus as the Desert Valley Facility. Another facility in operation, a long-term acute care hospital facility, is leased to Gulf States Long Term Acute Care of Covington, L.L.C., or Gulf States of Covington. We refer to this facility in this prospectus as the Covington Facility. Our ninth facility in operation, a community hospital, is subleased to Northern California Rehabilitation Hospital, LLC, a Vibra subsidiary. We refer to this facility in this prospectus as the Redding Facility. All of the leases for the hospitals currently in operation have initial terms of 15 years. Two of the facilities under development are a community hospital, which we refer to in this prospectus as the West Houston Hospital, and an adjacent medical office building, which we refer to in this prospectus as the West Houston MOB, and are leased to Stealth, L.P., or Stealth, a recently organized healthcare facility operator with no current operations. We refer to the West Houston Hospital and the West Houston MOB together in this prospectus as the West Houston Facilities. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end 15 years after completion of construction. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end 10 years after completion of construction. We target completion of construction of the West Houston MOB for August 2005 and completion of construction of the West Houston Hospital for October 2005. With respect to our third facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress Medical Center Operating Company, Ltd., or North Cypress, a recently-organized healthcare facility operator, for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We refer to this facility in this prospectus as the North Cypress Facility. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, we will have a right to acquire the facility for an amount equal to the cost of construction and lease the facility to the operator for a 15 year lease term. In the event we do not exercise our right to purchase the facility, we expect our construction loan will convert to a 15 year term loan secured by the facility. We anticipate the North Cypress Facility will be completed in December 2006. The leases for all of the facilities in our current portfolio provide for contractual base rent and an annual rent escalator. The leases for the Vibra Facilities also provide for "percentage rent," which means that once the tenant achieves a certain revenue threshold then, in addition to base rent, we will receive periodic rent payments based on an agreed percentage of the tenant's gross revenue.

The following tables set forth information, as of June 30, 2005, regarding our current portfolio of facilities:

Operating Facilities

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 BASE RENT	2005 CONTRACTUAL BASE RENT(2)	2006 ANNUALIZED CONTRACTUAL BASE RENT(2)
Bowling Green, Kentucky...............	Rehabilitation hospital	Vibra Healthcare, LLC(4)	60	$ 3,916,695	$ 4,294,990	$ 4,790,118
Marlton, New Jersey(5)..............	Rehabilitation(6) hospital	Vibra Healthcare, LLC(4)	76	3,401,791	3,730,354	4,160,390
Victorville, California(7)..........	Community hospital/medical office building	Desert Valley Hospital, Inc.	83	--	2,341,004	2,856,000
New Bedford, Massachusetts..........	Long-term acute care hospital	Vibra Healthcare, LLC(4)	90	2,262,979	2,426,320	2,767,624
Redding, California(8)..........	Community hospital	Vibra Healthcare, LLC(4)	88	--	950,250(9)	1,913,949(9)
Fresno, California......	Rehabilitation hospital	Vibra Healthcare, LLC(4)	62	1,914,829	2,099,773	2,341,835
Covington, Louisiana....	Long-term acute care hospital	Gulf States Long-Term Acute Care of Covington, L.L.C.	58	--	674,188	1,224,537
Thornton, Colorado......	Rehabilitation hospital	Vibra Healthcare, LLC(4)	117	870,377	933,200	1,064,471
Kentfield, California...	Long-term acute care hospital	Vibra Healthcare, LLC(4)	60	783,339	858,998	958,024
TOTAL...................	--	--	694	$13,150,010	$18,309,077	$22,076,948

Operating Facilities

LOCATION	GROSS PURCHASE PRICE(3)	LEASE EXPIRATION
Bowling Green, Kentucky..............	$ 38,211,658	July 2019
Marlton, New Jersey(5)..............	32,267,622	July 2019
Victorville, California(7)..........		

28,000,000 February 2020 New Bedford, Massachusetts.......... 22,077,847 August 2019 Redding, California(8).......... 20,750,000 June 2020 Fresno, California...... 18,681,255 July 2019 Covington, Louisiana.... 11,500,000 June 2020 Thornton, Colorado...... 8,491,481 August 2019 Kentfield, California... 7,642,332 July 2019 ------------ TOTAL................... $187,622,195 -- ============

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(1) Based on the number of licensed beds.

(2) Based on leases in place as of the date of this prospectus.

(3) Includes acquisition costs.

(4) The tenant in each case is a separate, wholly-owned subsidiary of Vibra Healthcare, LLC.

(5) Our interest in this facility is held through a ground lease on the property. The purchase price shown for this facility does not include our payment obligations under the ground lease, the present value of which we have calculated to be $920,579. The calculation of the base rent to be received from Vibra for this facility takes into account the present value of the ground lease payments.

(6) Thirty of the 76 beds are pediatric rehabilitation beds operated by HBA Management, Inc.

(7) At any time after February 28, 2007, the tenant has the option to purchase the facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us.

(8) Our interest in this facility is held in part through a ground lease on the property. During the term of the ground lease, the tenant will pay the ground lease rent directly to the ground lessor or, at our request, directly to us.

(9) Of the $20,750,000 million purchase price for this facility, $2.0 million is being held in escrow pending completion, to our satisfaction, of a conversion of the skilled nursing beds at the facility to long-term acute care beds and an additional $750,000 of the purchase price will be paid out of a special reserve account to cover the cost of renovations. The 2005 contractual base rent and the 2006 contractual base rent are calculated based on a purchase price of $18.0 million.

Facilities Under Development

2004 2005 2006 NUMBER OF ANNUALIZED CONTRACTUAL CONTRACTUAL LOCATION TYPE TENANT BEDS(1) BASE RENT BASE RENT BASE RENT - -------- ----------------- --- ----------- --------- ----------- --------- ----- ---------------

Houston, Texas........ Community North Cypress hospital Medical Center Operating Company, Ltd. 64 $ -- $ (3) $ (3) Houston, Texas........ Community hospital(5) Stealth, L.P. 105(6)

-- 772,196(7)
4,749,005(7) Houston,
Texas........ Medical
office building(9)
Stealth, L.P. n/a --
670,840(7)
2,052,769(7) --- ----
------- ----------- -

TOTAL.................
-- -- 169 $ -- $
1,443,036 $ 6,801,774
=== ===========
===========
===========
PROJECTED DEVELOPMENT
LEASE LOCATION
COST(2) EXPIRATION -
-------- ------------

Houston,
Texas........ $
64,028,000 (4)
Houston,
Texas........
43,099,310 October
2020(8) Houston,
Texas........
20,855,119 August
2015(10) ------------
TOTAL.................
$127,982,429 --
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(1) Based on the number of proposed beds.

(2) Includes acquisition costs.

(3) During construction of the North Cypress Facility, interest will accrue on the construction loan at a rate of 10.5%. The interest accruing during the construction period will be added to the principal balance of the construction loan. In addition, during the term of the ground sublease, North Cypress will pay us monthly ground sublease rent in an annual amount equal to our ground lease rent plus 10.5% of funds advanced by us under the construction loan.

(4) Expected to be completed in December 2006. If we purchase the facility upon completion of construction, we will lease it back to North Cypress for an initial term of 15 years.

(5) Expected to be completed in October 2005.

(6) Seventy-one of the 105 beds will be acute care beds operated by Stealth, L.P. and the remaining 34 beds will be long-term acute care beds operated by Triumph Southwest, L.P.

(7) Based on leases in place as of the date of this prospectus, estimated total development costs and estimated dates of completion. Assumes completion of construction in October 2005 for the West Houston Hospital and in August 2005 for the West Houston MOB. Does not include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.

(8) Following completion, the lease term will extend for a period of 15 years. At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the community hospital from us at a purchase price equal to the greater of (i) that amount determined under a formula which would provide us an internal rate of return of at least 18% or (ii) appraised value assuming the lease is still in place.

(9) Expected to be completed in August 2005.

(10) Following completion, the lease term will extend for a period of 10 years. At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the medical office building from us at a purchase price equal to the greater of (i) that amount determined under a formula which would provide us an internal rate of return of at least 18% or (ii) appraised value assuming the lease is still in place.

OUR CURRENT LOANS AND FEES RECEIVABLE

At the time we acquired the Vibra Facilities, we made a secured acquisition loan to Vibra, the parent entity of our current tenants in those facilities, to enable Vibra to acquire the healthcare operations at these locations. The principal balance of this loan is approximately $41.4 million and is to be repaid over 15 years. Payment of the acquisition loan is secured by pledges of membership interests in Vibra and its subsidiaries. In addition, we have obtained guaranty agreements from Brad E. Hollinger, the principal owner of Vibra, Vibra Management, LLC and Senior Real Estate Holdings, LLC, D/B/A The Hollinger Group, or The Hollinger Group, that obligate them to make loan payments in the event that Vibra fails to do so. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million, and Vibra Management, LLC and The Hollinger Group do not have substantial assets. Vibra pays interest on this loan at an annual rate of 10.25% with interest only for the first three years and the principal balance amortizes over the remaining 12 year period. The acquisition loan may be prepaid at any time without penalty. In connection with the Vibra transactions, Vibra agreed to pay us commitment fees of approximately $1.5 million. We also made secured loans totaling approximately $6.2 million to Vibra and its subsidiaries for working capital purposes. The commitment fees were paid, and the working capital loans were repaid, on February 9, 2005.

On June 9, 2005, in connection with our proposed acquisition of a long-term acute care hospital located in Denham Springs, Louisiana, which we refer to as the Denham Springs Facility, we made a loan of $6.0 million to Denham Springs Healthcare Properties, L.L.C., $500,000 of which is to be held in escrow. The loan accrues interest at a rate of 10.5% per year, subject to escalation, and provides for monthly payments of interest only with a final balloon payment on the fifteenth anniversary of the loan. The loan may be prepaid at any time without penalty. The loan is guaranteed by Gulf States Long Term Acute Care of Denham Springs, L.L.C., Team Rehab, L.L.C. and Gulf States Health Services, Inc. As security for the loan, Denham Springs Healthcare Properties, L.L.C. granted us a first mortgage on the Denham Springs Facility and assigned to us all its right, title and interest in and to all leases associated with the Denham Springs Facility. The loan is also cross-defaulted with the lease relating to the Covington Facility. We have an agreement to purchase the Denham Springs Facility for a price equal to the amount of the loan, subject to our satisfaction with the results of our review of an environmental condition at the property.

In connection with the development of the West Houston Facilities, Stealth has agreed to pay us a commitment fee of approximately $932,125, to be paid over 15 years following completion of the West Houston Hospital. The commitment fee is based on a percentage of total development costs and may be adjusted upon completion of construction of the West Houston Facilities based on actual development costs. We have agreed to make a working capital loan to Stealth of up to $1.62 million, to be repaid over 15 years. No funds have been borrowed by Stealth to date under the working capital loan. The promissory notes evidencing the loan and commitment fee provide for interest at an annual rate of 10.75% and are unsecured, but the promissory notes are cross-defaulted with our related facility leases with Stealth. Stealth is obligated to pay us a project inspection fee for construction coordination services of $100,000 in the case of the West Houston Hospital and $50,000 in the case of the adjacent West Houston MOB. These fees are to be paid, with interest at the rate of 10.75% per year, over a 15 year period beginning on the date that the West Houston Hospital is completed, which we expect to be in October 2005. The obligation to pay these fees is evidenced by promissory notes and is unsecured, but the promissory notes are cross-defaulted with our related facility leases with Stealth. Any of the fees or the working capital loan may be prepaid at any time without penalty, except that a minimum prepayment of $500,000 is required for the working capital loan.

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

We intend to use the net proceeds of this offering and a portion of our available cash and cash equivalents to expand our portfolio by acquiring or developing additional net-leased healthcare facilities that we have under contract or letter of commitment and consider to be probable acquisitions or developments as of the date of this prospectus, which we refer to in this prospectus as our Pending Acquisition and Development Facilities. Under the terms of the contracts or letters of commitment relating to these facilities, we expect the leases for each of these facilities to provide for contractual base rent and an annual rent escalator. The letters of commitment constitute agreements of the parties to consummate the acquisition or development transactions and enter into leases on the terms set forth in the letters of commitment subject to the satisfaction of certain conditions, including the execution of mutually-acceptable definitive agreements. The following tables contain information regarding our Pending Acquisition and Development Facilities:

Operating Facilities

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	YEAR ONE CONTRACTUAL INTEREST	LOAN AMOUNT	LEASE EXPIRATION
Hammond, Louisiana* (2)	Long-term acute care hospital	Hammond Rehabilitation Hospital, LLC	40	$ 840,000(3)	$ 8,000,000	June 2021
Denham Springs, Louisiana* (4)	Long-term acute care hospital	Gulf States Long Term Acute Care of Denham Springs, L.L.C.	59	630,000(5)	6,000,000	June 2020
TOTAL	--	--	99	$1,470,000	$14,000,000	--

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* Under letter of commitment.

(1) Based on the number of licensed beds.

(2) On April 1, 2005, we entered into a letter of commitment with Hammond Healthcare Properties, LLC, or Hammond Properties, and Hammond Rehabilitation Hospital, LLC, or Hammond Hospital, pursuant to which we have agreed to lend Hammond Properties $8.0 million and have agreed to a put-call option pursuant to which, during the 90 day period commencing on the first anniversary of the date of the loan closing, we expect to purchase from Hammond Properties a long-term acute care hospital located in Hammond, Louisiana for a purchase price between $10.3 million and $11.0 million. If we purchase the facility, we will lease it back to Hammond Hospital for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning January 1, 2007, an annual rent escalator.

(3) Based on one year contractual interest at the rate of 10.5% per year on the $8.0 million mortgage loan to Hammond Properties. We expect to exercise our option to purchase the Hammond Facility in 2006. For the one year period following our purchase of the facility, contractual base rent would equal $1,079,925, based on 10.5% of an estimated purchase price of $10,285,000.

(4) On June 9, 2005, we entered into a definitive purchase, sale and loan agreement, pursuant to which we loaned Denham Springs Healthcare Properties, L.L.C. $6.0 million and agreed to purchase the Denham Springs Facility for a purchase price of $6.0 million, subject to our satisfaction with the results of our review of an environmental condition at the property. If we purchase the facility, the loan will be cancelled and we will lease the facility to Gulf States Long Term Acute Care of Denham Springs, L.L.C. for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning on January 1, 2006, an annual rent escalator. If we do not purchase the Denham Springs Facility, the $6.0 million loan would remain outstanding.

(5) Based on one year contractual interest at the rate of 10.5% per year on the $6.0 million loan to Denham Springs Healthcare Properties, L.L.C. We expect to purchase the Denham Springs Facility during 2005. For the one year

period following our purchase of the facility, contractual base rent would equal 10.5% of the purchase price of $6.0 million, plus an annual rent escalator beginning on January 1, 2006.

Development Facilities

ANNUAL MINIMUM PROJECTED NUMBER OF INCREASE IN
DEVELOPMENT LEASE LOCATION TYPE TENANT BEDS(1)
RENT COST EXPIRATION - -------- ---- ---------
------ --------- ----------- ------------ ----
------ Bensalem,
Pennsylvania**...................... Women's
Bucks County 30 2.5%(2) $ 38,000,000 (3)
hospital/ Oncoplastic medical Institute, LLC
office building Bloomington,
Indiana*......................... Community
Monroe 32 2.5%(2) 28,000,000 (3) hospital
Hospital, LLC --- ------------
TOTAL...
-- -- 62 $ 66,000,000 -- === ============

- ---------------

* Under letter of commitment.
** Under contract.

(1) Based on the number of proposed beds.

(2) The annual rent increase is the greater of 2.5% and any change in the Consumer Price Index, or CPI.

(3) We expect that each of these leases will have a 15 year term commencing on the date that construction of the facility is completed.

OUR ACQUISITION AND DEVELOPMENT PIPELINE

We have also identified a number of opportunities to acquire or develop additional healthcare facilities. In some cases, we are actively negotiating agreements or letters of intent with the owners or prospective tenants. In other instances, we have only identified the potential opportunity and had preliminary discussions with the owner or prospective tenant. We cannot assure you that we will complete any of these potential acquisitions or developments.

OUR DEBT

We employ leverage in our capital structure in amounts we determine from time to time. At present, we intend to limit our debt to approximately 50-60% of the aggregate cost of our facilities, although we may exceed those levels from time to time. We expect our borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans.

In December 2004, we borrowed $75.0 million from Merrill Lynch Capital under a loan agreement with a term of three years for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (3.24% at June 15, 2005) plus 300 basis points. The loan is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. We had $74.1 million outstanding under this loan as of March 31, 2005. We have executed a term sheet with Merrill Lynch Capital providing for a senior secured revolving credit facility of up to $100.0 million with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. If we enter into this facility, during the term of the loan we will have the right to increase the amount available under the facility by an amount up to $75.0 million, subject to no event of default continuing or occurring at the time of our request to increase the amount. We cannot assure you that we will enter into this facility on these terms or at all.

We have also entered into construction loan agreements with Colonial Bank pursuant to which we can borrow up to $43.4 million to fund construction costs for the West Houston Facilities being developed in Houston, Texas. Each construction loan has a term of up to 18 months and an option on our part to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities, and require us to comply with certain financial covenants. The loans bear interest at one month LIBOR plus 225 basis points during the construction period and one month LIBOR plus 250 basis points thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this prospectus, we have made no borrowings under the Colonial Bank loans.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths will enable us to execute our business strategy successfully:

- Experienced Management Team. Our management team's experience enables us to offer innovative acquisition and net-lease structures that we believe will appeal to a variety of healthcare operators. We believe that our management's depth of experience in both traditional real estate investment and healthcare operations positions us favorably to take advantage of the available opportunities in the healthcare real estate market.

- Comprehensive Underwriting Process. Our underwriting process focuses on both real estate investment and healthcare operations. Our acquisition and development selection process includes a comprehensive analysis of a targeted healthcare facility's profitability, cash flow, occupancy and patient and payor mix, financial trends in revenues and expenses, barriers to competition, the need in the market for the type of healthcare services provided by the facility, the strength of the location and the underlying value of the facility, as well as the financial strength and experience of the tenant and the tenant's management team. Through our detailed underwriting of healthcare acquisitions, which includes an analysis of both the underlying real estate and ongoing or expected healthcare operations at the property, we expect to deliver attractive risk-adjusted returns to our stockholders.

- Active Asset Management. We actively monitor the operating results of our tenants by reviewing periodic financial reporting and operating data, as well as visiting each facility and meeting with the management of our tenants on a regular basis. Integral to our asset management philosophy is our desire to build long-term relationships with our tenants and, accordingly, we have developed a partnering approach which we believe results in the tenant viewing us as a member of its team.

- Favorable Lease Terms. We lease our facilities to healthcare operators pursuant to long-term net-lease agreements. A net-lease requires the tenant to bear most of the costs associated with the property, including property taxes, utilities, insurance and maintenance. Our current net-leases are for terms of at least 10 years, provide for annual base rental increases and, in the case of the Vibra Facilities, percentage rent. Similarly, we anticipate that our future leases will generally provide for base rent with annual escalators, tenant payment of operating costs and, when feasible and in compliance with applicable healthcare laws and regulations, percentage rent.

- Diversified Portfolio Strategy. We focus on a portfolio of several different types of healthcare facilities in a variety of geographic regions. We also intend to diversify our tenant base as we acquire and develop additional healthcare facilities.

- Access to Investment Opportunities. We believe our network of relationships in both the real estate and healthcare industries provides us access to a large volume of potential acquisition and development opportunities. The net proceeds of this offering will enhance our ability to capitalize on these and other investment opportunities.

- Local Physician Investment. When feasible and in compliance with applicable healthcare laws and regulations, we expect to offer physicians an opportunity to invest in the facilities that we own, thereby strengthening our relationship with the local physician community.

SUMMARY RISK FACTORS

You should carefully consider the matters discussed in the section "Risk Factors" beginning on page 17 prior to deciding whether to invest in our common stock. Some of these risks include:

- We were formed in August 2003 and have a limited operating history; our management has a limited history of operating a REIT and a public company and may therefore have difficulty in successfully and profitably operating our business.

- We may be unable to acquire or develop the Pending Acquisition and Development Facilities or facilities we have identified as potential candidates for acquisition or development as quickly as we expect or at all, which could harm our future operating results and adversely affect our ability to make distributions to our stockholders.

- We expect to continue to experience rapid growth and may not be able to adapt our management and operational systems to integrate the net-leased facilities we have acquired and are developing or those that we expect to acquire and develop without unanticipated disruption or expense.

- Our real estate investments will be concentrated in net-leased healthcare facilities, making us more vulnerable economically than if our investments were more diversified across several industries or property types.

- Failure by our tenants or other parties to whom we make loans to repay loans currently outstanding or loans we are obligated to make, or to pay us commitment and other fees that they are obligated to pay, in an aggregate amount of approximately $114.1 million, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

- Our facilities and properties under development are currently leased to only five tenants, three of which were recently organized and have limited or no operating histories, and the failure of any of these tenants to meet its obligations to us, including payment of rent, payment of commitment fees and repayment of loans we have made or intend to make to them, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

- Development and construction risks, including delays in construction, exceeding original estimates and failure to obtain financing, could adversely affect our ability to make distributions to our stockholders.

- Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent or loan payments to us.

- The healthcare industry is heavily regulated and existing and new laws or regulations, changes to existing laws or regulations, loss of licensure or certification or failure to obtain licensure or certification could result in the inability of our tenants to make lease or loan payments to us.

- Our use of debt financing will subject us to significant risks, including foreclosure and refinancing risks and the risk that debt service obligations will reduce the amount of cash available for distribution to our stockholders. We have entered into loan agreements pursuant to which we may borrow up to $117.5 million, $74.1 million of which was outstanding as of March 31, 2005. Our charter and other organizational documents do not limit the amount of debt we may incur.

- Provisions of Maryland law, our charter and our bylaws may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in our best interest, depress our stock price or cause dilution.

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

- Failure to obtain or loss of our tax status as a REIT would have significant adverse consequences to us and the value of our common stock.

- Our loans to Vibra could be recharacterized as equity, in which case our rental income from Vibra would not be qualifying income under the REIT rules and we could lose our REIT status.

- There is currently no public market for our common stock, and an active trading market for our common stock may never develop.

- Common stock eligible for future sale, including up to 24,539,177 shares that may be resold by our existing stockholders upon effectiveness of our resale registration statement, may result in increased selling which may have an adverse effect on our stock price.

- Our engagement agreement with Friedman, Billings, Ramsey & Co., Inc. may preclude us from engaging investment banking firms other than Friedman, Billings, Ramsey & Co., Inc, until April 7, 2006 for future financing and other strategic transactions, and Friedman Billings Ramsey Group Inc., the parent company of Friedman, Billings, Ramsey & Co., Inc., together with its affiliates, owns approximately 10.9% of our common stock and is currently our largest stockholder; therefore, Friedman, Billings, Ramsey & Co., Inc. has an interest in this offering other than underwriting discounts and commissions.

- If you purchase common stock in this offering, you will experience immediate dilution of approximately $2.08 in net tangible book value per share.

MARKET OPPORTUNITY

According to the United States Department of Commerce, Bureau of Economic Analysis, healthcare is one of the largest industries in the U.S., and was responsible for approximately 15.3% of U.S. gross domestic product in 2003. Healthcare spending has consistently grown at rates greater than overall spending growth and inflation. We expect this trend to continue. According to the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, or CMS, healthcare expenditures are projected to increase by more than 7% in 2004 and 2005 to $1.8 trillion and $1.9 trillion, respectively, and are expected to reach $3.1 trillion by 2012.

To satisfy this growing demand for healthcare services, a significant amount of new construction of healthcare facilities has been undertaken, and we expect significant construction of additional healthcare facilities in the future. In 2003 alone, $24.5 billion was spent on the construction of healthcare facilities, according to CMS. This represented more than a 9% increase over the $22.4 billion in healthcare construction spending for 2002. We believe that a significant part of this healthcare construction spending was for the types of facilities that we target.

OUR TARGET FACILITIES

The market for healthcare real estate is extensive and includes real estate owned by a variety of healthcare operators. We focus on acquiring, developing and net leasing to healthcare operators facilities that are designed to address what we view as the latest trends in healthcare delivery methods. These facilities include:

- Rehabilitation Hospitals: Rehabilitation hospitals provide inpatient and outpatient rehabilitation services for patients recovering from multiple traumatic injuries, organ transplants, amputations, cardiovascular surgery, strokes, and complex neurological, orthopedic, and other conditions. These hospitals are often the best medical alternative to traditional acute care hospitals where under the Medicare prospective payment system there is pressure to discharge patients after relatively short stays.

- Long-term Acute Care Hospitals: Long-term acute care hospitals focus on extended hospital care, generally at least 25 days, for the medically-complex patient. Long-term acute care hospitals have arisen from a need to provide care to patients in acute care settings, including daily physician observation and treatment, before they are able to move to a rehabilitation hospital or return home. These facilities are reimbursed in a manner more appropriate for a longer length of stay than is typical for an acute care hospital.

- Regional and Community Hospitals: We define regional and community hospitals as general medical/surgical hospitals whose practicing physicians generally serve a market specific area, whether urban, suburban or rural. We intend to limit our ownership of these facilities to those with market, ownership, competitive or technological characteristics that provide barriers to entry for potential competitors.

- Women's and Children's Hospitals: These hospitals serve the specialized areas of obstetrics and gynecology, other women's healthcare needs, neonatology and pediatrics. We anticipate substantial development of facilities designed to meet the needs of women and children and their physicians as a result of the decentralization and specialization trends described above.

- Ambulatory Surgery Centers: Ambulatory surgery centers are freestanding facilities designed to allow patients to have outpatient surgery, spend a short time recovering at the center, then return home to complete their recoveries. Ambulatory surgery centers offer a lower cost alternative to general hospitals for many surgical procedures in an environment that is more convenient for both patients and physicians. Outpatient procedures commonly performed include those related to gastrointestinal, general surgery, plastic surgery, ear, nose and throat/audiology, as well as orthopedics and sports medicine.

- Other Single-Discipline Facilities: The decentralization and specialization trends in the healthcare industry are also creating demands and opportunities for physicians to practice in hospital facilities in which the design, layout and medical equipment are specifically developed, and healthcare professional staff are educated, for medical specialties. These facilities include heart hospitals, ophthalmology centers, orthopedic hospitals and cancer centers.

- Medical Office Buildings: Medical office buildings are office and clinic facilities occupied and used by physicians and other healthcare providers in the provision of healthcare services to their patients. The medical office buildings that we target generally are or will be master-leased and adjacent to or integrated with our other targeted healthcare facilities.

- Skilled Nursing Facilities. Skilled nursing facilities are healthcare facilities that generally provide more comprehensive services than assisted living or residential care homes. They are primarily engaged in providing skilled nursing care for patients who require medical or nursing care or rehabilitation services. Typically these services involve managing complex and serious medical problems such as wound care, coma care or intravenous therapy. They offer both short and long-term care options for patients with serious illnesses and medical conditions. Skilled nursing facilities also provide rehabilitation services that are typically utilized on a short-term basis after hospitalization for injury or illness.

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

- We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders 1,630,435 shares of our common stock in exchange for nominal cash consideration and the membership interests of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement.

- Our operating partnership, MPT Operating Partnership, L.P., was formed in September 2003. Our wholly-owned subsidiary, Medical Properties Trust, LLC, is the sole general partner of our operating partnership. We currently own all of the limited partnership interests in our operating partnership.

- MPT Development Services, Inc., a Delaware corporation that we formed in January 2004, operates as our wholly-owned taxable REIT subsidiary.

- In April 2004 we completed a private placement of 25,300,000 shares of common stock at an offering price of $10.00 per share. Friedman, Billings, Ramsey & Co., Inc., which is serving as a lead underwriter in this offering, acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of the offering, were approximately $233.5 million. The net proceeds of our private placement, together with borrowed funds, have been or will be used to acquire our current portfolio of twelve facilities and properties under development, consisting of nine facilities that are in operation and three that are under development, lend funds to one of our tenants and to an affiliate of one of our prospective tenants, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately $187.6 million to acquire our nine existing facilities, have loaned $47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, $6.2 million of which has been repaid, have funded approximately $40.4 million of a projected total of approximately $63.1 million of development costs for the West Houston Facilities and have advanced $1.9 million pursuant to the North Cypress construction loan. There are approximately 316 beneficial holders of our common stock as of the date of this prospectus.

OUR STRUCTURE

We conduct our business through a traditional umbrella partnership REIT, or UPREIT, in which our facilities are owned by our operating partnership, MPT Operating Partnership, L.P., and limited partnerships, limited liability companies or other subsidiaries of our operating partnership. Through our wholly-owned limited liability company, Medical Properties Trust, LLC, we are the sole general partner of our operating partnership and we presently own all of the limited partnership units of our operating partnership. In the future, we may issue limited partnership units to third parties from time to time in connection with facility acquisitions or developments. In addition, we may sell equity interests in subsidiaries of our operating partnership in connection with facility acquisitions or developments.

MPT Development Services, Inc., our taxable REIT subsidiary, is authorized to engage in development, management, lending, including but not limited to acquisition and working capital loans to our tenants, and other activities that we are unable to engage in directly under applicable REIT tax rules. The following chart illustrates our structure upon completion of this offering:

(CHART)

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(1) We own and in the future expect to own interests in our facilities through wholly owned or majority owned subsidiaries of our operating partnership, MPT Operating Partnership, L.P. Our operating partnership is a limited partner of MPT West Houston MOB, L.P. and MPT West Houston Hospital, L.P., which own, respectively, the West Houston MOB and the West Houston Hospital. MPT West Houston MOB, LLC and MPT West Houston Hospital, LLC, both of which are wholly-owned by our operating partnership, are, respectively, the general partners of these entities. We have sold limited partnership interests representing approximately 24% of the aggregate equity interests in MPT West Houston MOB, L.P. to physicians and others associated with our tenant or subtenants of the West Houston MOB. Stealth, the tenant of the West Houston Hospital, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P.

REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

Registration Rights Agreement. Pursuant to a registration rights agreement among us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, we were required, among other things, to file with the SEC by January 6, 2005 a resale shelf registration statement registering all of the shares of common stock sold in our April 2004 private placement and not being sold in this offering by selling stockholders, and all of the shares of common stock issued to Friedman, Billings, Ramsey & Co., Inc. for financial advisory services. We are required to use our reasonable best efforts to cause the resale registration statement to become effective under the Securities Act as promptly as practicable after the filing and to maintain the resale registration statement continuously effective under the Securities Act of 1933, or the Securities Act, for a specified period.

The resale registration statement was filed on January 6, 2005. If we default on our obligation to use reasonable best efforts to cause the effectiveness of, or fail to maintain the effectiveness of, the resale registration statement for the time periods described above, or certain other events occur, we may be required to pay the holders of registrable shares, other than our affiliates, liquidated damages during the period of the default.

Lock-up Agreements. All of our directors and executive officers, subject to limited exceptions, have agreed to be bound by lock-up agreements that prohibit these holders from selling or otherwise disposing of any of our common stock or securities convertible into our common stock that they own or acquire for 180 days after the date of this prospectus. In addition, the underwriters will require that all of our stockholders other than our executive officers and directors agree not to sell or otherwise dispose of any of the shares of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus and are not selling in this offering until 60 days after the date of this prospectus, subject to limited exceptions. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters, may, in its discretion, release all or any portion of the common stock subject to the lock-up agreements with our directors and executive officers at any time and without notice or stockholder approval, in which case our other stockholders would also be released from the restrictions under the registration rights agreement.

SELLING STOCKHOLDERS

Pursuant to, and subject to the terms and conditions of, the registration rights agreement among us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, persons who purchased our common stock in our private placement in April 2004 and their transferees have the right to sell their common stock in this offering. We are including 701,823 shares of our common stock in this offering to be sold by four selling stockholders.

RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

The Code imposes limitations on the concentration of ownership of REIT shares. Our charter generally prohibits any stockholder from actually or constructively owning more than 9.8% of our outstanding shares of common stock. The ownership limitation in our charter is more restrictive than the restrictions on ownership of our common stock imposed by the Code. Our board may, in its sole discretion, waive this ownership limitation with respect to particular stockholders if our board is presented with evidence satisfactory to it that the ownership will not then or in the future jeopardize our status as a REIT.

DISTRIBUTION POLICY

We intend to distribute to our stockholders each year all or substantially all of our REIT taxable income so as to avoid paying corporate income tax and excise tax on our REIT income and to qualify for the tax benefits afforded to REITs under the Code. The actual amount and timing of distributions, if any, will be at the discretion of our board of directors and will depend upon our actual results of operations and a number of other factors discussed in the section "Distribution Policy."

The table below is a summary of our distributions.

DECLARATION DATE	RECORD DATE	DATE OF DISTRIBUTION	DISTRIBUTION PER SHARE OF COMMON STOCK
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
September 2, 2004	September 16, 2004	October 11, 2004	$0.10

The two distributions declared in 2004, aggregating $0.21 per share, were comprised of approximately $0.13 per share in ordinary income and $0.08 per share in return of capital. For federal income tax purposes, our distributions were limited in 2004 to our tax basis earnings and profits of $0.13 per share. Accordingly, for tax purposes, $0.08 per share of the distributions we paid in January 2005 will be treated as a 2005 distribution; the tax character of this amount, along with that of the April 15, 2005 and July 14, 2005 distributions, will be determined subsequent to determination of our 2005 taxable income.

THE OFFERING

Shares of common stock offered by us(1)	11,365,000 shares
Shares of common stock offered by selling stockholders	701,823 shares
Shares of common stock to be outstanding after this offering(1)(2)	37,635,862 shares
Use of Proceeds	The net proceeds to us from the sale of the shares of common stock offered by this prospectus, after deducting the underwriting discount and the estimated offering expenses payable by us, will be approximately $113.3 million, or approximately $131.8 million if the underwriters exercise their over-allotment option in full. We intend to use the net proceeds as follows: - approximately $64.0 million to fund the development of a community hospital in Houston, Texas; - approximately $38.0 million to fund the development of a women's hospital and integrated medical office building in Bensalem, Pennsylvania that we have under contract; - approximately $3.3 million to fund a portion of the development costs of a community hospital in Bloomington, Indiana that we have under letter of commitment; and - approximately $8.0 million to fund a mortgage loan to Hammond Properties pursuant to a letter of commitment. Pending these uses, we intend to invest the net offering proceeds in interest-bearing, short-term marketable investment grade securities or money-market accounts which are consistent with our intention to qualify as a REIT.
Proposed NYSE symbol	MPW

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(1) Excludes up to 1,810,023 shares of common stock that may be issued by us upon exercise of the underwriters' overallotment option.

(2) Based on 26,164,862 shares outstanding as of June 15, 2005. Includes 106,000 shares of restricted common stock to be awarded upon completion of this offering under our Amended and Restated 2004 Equity Incentive Plan, which we refer to in this prospectus as our equity incentive plan. Excludes (i) 100,000 shares of common stock issuable upon the exercise of stock options granted to our independent directors under our equity incentive plan, one-third of which are vested; (ii) 5,000 shares of common stock issuable in October 2007 and 7,500 shares of common stock issuable in March 2008 pursuant to deferred stock units awarded under our equity incentive plan to our independent directors; (iii) 35,000 shares of common stock issuable upon the exercise of a warrant granted to an unaffiliated third-party; and (iv) 490,680 shares of common stock available for future awards under our equity incentive plan.

TAX STATUS

As long as we qualify for and maintain our REIT status, we will generally not incur federal income tax on our income to the extent that we distribute this income to our stockholders. However, we will be subject to tax at normal corporate rates on net income or capital gains not distributed to stockholders. Moreover, our taxable REIT subsidiary will be subject to federal and state income taxation on its taxable income.

SUMMARY FINANCIAL INFORMATION

You should read the following pro forma and historical information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical and pro forma consolidated financial statements and related notes thereto included elsewhere in this prospectus.

The following table sets forth our summary financial and operating data on an historical and pro forma basis. Our summary historical balance sheet information as of December 31, 2004, and the historical statement of operations and other data for the year ended December 31, 2004, have been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical balance sheet information as of March 31, 2005 and the historical statement of operations and other data for the three months ended March 31, 2005 have been derived from our unaudited historical balance sheet as of March 31, 2005 and from our unaudited statement of operations for the three months ended March 31, 2005 included elsewhere in this prospectus. The unaudited historical financial statements include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation of our financial condition and results of operations as of such dates and for such periods under accounting principles generally accepted in the U.S.

The unaudited pro forma consolidated balance sheet data as of March 31, 2005 are presented as if completion of this offering and completion of our probable acquisitions had occurred on March 31, 2005.

The unaudited pro forma consolidated statement of operations and other data for the three months ended March 31, 2005 are presented as if acquisition of the Desert Valley Facility, the Covington Facility and the Redding Facility, completion of this offering and completion of our probable acquisitions had occurred on January 1, 2005, and our December 31, 2004 unaudited pro forma consolidated statement of operations are presented as if our acquisition of the current portfolio of facilities (the six Vibra Facilities, the Desert Valley Facility, the Covington Facility and the Redding Facility), our making of the Vibra loans, completion of this offering and completion of our probable acquisitions had occurred on January 1, 2004. The pro forma information does not give effect to any of our facilities under development or probable development transactions. The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OPERATING INFORMATION:				
Revenues				
Rent income.....................	$ 7,234,712	$ 5,268,490	$ 27,360,679	$ 8,611,344
Interest income from loans......	1,212,038	1,212,038	5,037,049	2,282,115
Total revenues..................	8,446,750	6,480,528	32,397,728	10,893,459
Operating expenses				
Depreciation and amortization...	1,268,203	842,407	5,072,811	1,478,470
General and administrative......	1,698,249	1,698,249	5,057,284	5,057,284
Total operating expenses........	3,019,013	2,593,217	10,902,444	7,214,601
Operating income................	5,427,737	3,887,311	21,495,284	3,678,858
Net other income (expense)......	(327,377)	(327,377)	897,491	897,491
Net income......................	5,100,360	3,559,934	22,392,775	4,576,349
Net income per share, basic and diluted.........................	0.14	0.14	0.73	0.24
Weighted average shares outstanding -- basic............	37,652,195			

26,099,195 30,863,833
19,310,833 Weighted average
shares outstanding --
diluted.......... 37,656,259
26,103,259 30,865,634
19,312,634

	AS OF MARCH 31, 2005		AS OF DECEMBER 31, 2004
	PRO FORMA	HISTORICAL	HISTORICAL
BALANCE SHEET INFORMATION:			
Gross investment in real estate assets.........	$240,664,624	$192,129,624	$151,690,293
Net investment in real estate..................	238,343,747	189,808,747	150,211,823
Construction in progress.......................	36,757,429	36,757,429	24,318,098
Cash and cash equivalents......................	139,726,712	82,053,255	97,543,677
Loans receivable...............................	42,498,111	42,498,111	50,224,069(1)
Total assets...................................	432,512,536	326,304,079	306,506,063
Total debt.....................................	74,141,667	74,141,667	56,000,000
Total liabilities..............................	89,178,201	92,047,316	73,777,619
Total stockholders' equity.....................	341,571,835	232,494,263	231,728,444
Total liabilities and stockholders' equity.....	432,512,536	326,304,079	306,506,063

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OTHER INFORMATION:				
Funds from operations(2).............	$6,368,563	$ 4,402,341	$27,465,586	$ 6,054,819
Cash Flows:				
Provided by operating activities.....................		1,643,836		9,918,898
Used for investing activities.....		(32,729,071)		(195,600,642)
Provided by financing activities.....................		15,594,813		283,125,421

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(1) Includes $1.5 million in commitment fees payable to us by Vibra.

(2) Funds from operations, or FFO, represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Management considers funds from operations a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that funds from operations provides a meaningful supplemental indication of our performance. We compute funds from operations in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating funds from operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. Funds from operations should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

The following table presents a reconciliation of FFO to net income for the three months ended March 31, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
FUNDS FROM OPERATIONS:				
Net income	$5,100,360	$3,559,934	$22,392,775	$4,576,349
Depreciation and amortization	1,268,203	842,407	5,072,811	1,478,470
Funds from operations	$6,368,563	$4,402,341	$27,465,586	$6,054,819

RISK FACTORS

An investment in our common stock involves a number of risks. Before making an investment decision, you should carefully consider all of the risks described below and the other information contained in this prospectus. If any of the risks discussed in this prospectus actually occurs, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, the value of our common stock could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND GROWTH STRATEGY

WE WERE FORMED IN AUGUST 2003 AND HAVE A LIMITED OPERATING HISTORY; OUR MANAGEMENT HAS A LIMITED HISTORY OF OPERATING A REIT AND A PUBLIC COMPANY AND MAY THEREFORE HAVE DIFFICULTY IN SUCCESSFULLY AND PROFITABLY OPERATING OUR BUSINESS.

We have only recently been organized and have a limited operating history. We are subject to the risks generally associated with the formation of any new business, including unproven business models, untested plans, uncertain market acceptance and competition with established businesses. Our management has limited experience in operating a REIT and a public company. Therefore, you should be especially cautious in drawing conclusions about the ability of our management team to execute our business plan.

WE MAY NOT BE SUCCESSFUL IN DEPLOYING THE NET PROCEEDS OF THIS OFFERING FOR THEIR INTENDED USES AS QUICKLY AS WE INTEND OR AT ALL, WHICH COULD HARM OUR CASH FLOW AND ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

Upon completion of this offering, we will experience a capital infusion from the net offering proceeds, which we intend to use to develop additional net-leased facilities and to make a loan to an affiliate of one of our prospective tenants. If we are unable to use the net proceeds in this manner, we will have no specific designated use for a substantial portion of the net proceeds from this offering. In that case, or in the event we allocate a portion of the net proceeds to other uses during the pendency of the developments, you would be unable to evaluate the manner in which we invest the net proceeds or the economic merits of the assets acquired with the proceeds. We may not be able to invest this capital on acceptable terms or timeframes, or at all, which may harm our cash flow and ability to make distributions to our stockholders.

WE MAY BE UNABLE TO ACQUIRE OR DEVELOP THE PENDING ACQUISITION AND DEVELOPMENT FACILITIES, WHICH COULD HARM OUR FUTURE OPERATING RESULTS AND ADVERSELY AFFECT OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

Our future success depends in large part on our ability to continue to grow our business through the acquisition or development of additional facilities. We cannot assure you that we will acquire or develop any of the Pending Acquisition and Development Facilities on the terms described, or at all, because each of these transactions is subject to a variety of conditions, including, in the case of facilities under contract, our satisfactory completion of due diligence and the satisfaction of customary closing conditions, including the obtaining of any required government approvals and consents and, in the case of facilities under letters of commitment, execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals and other third-party reports, receipt of government and third-party approvals and consents, approval by our board of directors and other customary closing conditions. In addition, our development of one of the Pending Acquisition and Development Facilities is dependent upon our proposed tenant's completion of the acquisition of the property on which the facilities are to be built from the current owner. We have incurred losses of $585,345 in connection with acquisitions that we were unable to complete, consisting primarily of legal fees, costs of third-party reports and travel expenses. If we are unsuccessful in completing the acquisition or development of additional facilities in the future, we will incur similar costs without achieving corresponding revenues, our future operating results will not meet expectations and our ability to make distributions to our stockholders will be adversely affected.

WE MAY NOT CONSUMMATE THE TRANSACTIONS CONTEMPLATED BY OUR OTHER ARRANGEMENTS, WHICH COULD ADVERSELY AFFECT OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

We have entered into letter agreements with DVH to fund a $20.0 million expansion of the Desert Valley Facility and with DSI to fund $50.0 million of acquisitions and development facilities. Our funding of the expansion of the Desert Valley Facility is subject to receipt of a development agreement from DVH which we may not receive until February 28, 2006. DVH is not obligated to present us with a development agreement, and, if it does not, we have no obligation to provide funding to DVH for the expansion. If we enter into a development agreement, we may not begin construction on the expansion for several months after that time and the expansion could take up to approximately one year to complete. Any acquisition or development of facilities pursuant to the DSI commitment is subject to DSI's identification, and our approval, of acquisition or development facilities. DSI is not required to identify facilities for acquisition or development and, if it does not, we have no obligation to provide funding to DSI. We have also entered into an arrangement with Prime Healthcare to acquire a hospital facility in California for an approximate amount of $25.0 million, subject to our tenant's acquisition of the facility. The potential tenant has no agreement or letter of intent to acquire the property. Each of these arrangements is subject to a number of additional conditions. Thus we may not engage in any of these transactions in the near future, or at all, and may not in the near future, or ever, generate any revenues from these arrangements.

WE MAY BE UNABLE TO ACQUIRE OR DEVELOP ANY OF THE FACILITIES WE HAVE IDENTIFIED AS POTENTIAL CANDIDATES FOR ACQUISITION OR DEVELOPMENT, WHICH COULD HARM OUR FUTURE OPERATING RESULTS AND ADVERSELY AFFECT OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

We have identified numerous other facilities that we believe would be suitable candidates for acquisition or development; however, we cannot assure you that we will be successful in completing the acquisition or development of any of these facilities. Consummation of any of these acquisitions or developments is subject to, among other things, the willingness of the parties to proceed with a contemplated transaction, negotiation of mutually acceptable definitive agreements, satisfactory completion of due diligence and satisfaction of customary closing conditions. If we are unsuccessful in completing the acquisition or development of additional facilities in the future, our future operating results will not meet expectations and our ability to make distributions to our stockholders will be adversely affected.

WE EXPECT TO CONTINUE TO EXPERIENCE RAPID GROWTH AND MAY NOT BE ABLE TO ADAPT OUR MANAGEMENT AND OPERATIONAL SYSTEMS TO INTEGRATE THE NET-LEASED FACILITIES WE HAVE ACQUIRED AND ARE DEVELOPING OR THOSE THAT WE MAY ACQUIRE OR DEVELOP IN THE FUTURE WITHOUT UNANTICIPATED DISRUPTION OR EXPENSE.

We are currently experiencing a period of rapid growth. We cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems, or hire and retain sufficient operational staff, to integrate and manage the facilities we have acquired and are developing and those that we may acquire or develop. Our failure to successfully integrate and manage our current portfolio of facilities or any future acquisitions or developments could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

WE MAY BE UNABLE TO ACCESS CAPITAL, WHICH WOULD SLOW OUR GROWTH.

Our business plan contemplates growth through acquisitions and developments of facilities. As a REIT, we are required to make cash distributions which reduces our ability to fund acquisitions and developments with retained earnings. We are dependent on acquisition financings and access to the capital markets for cash to make investments in new facilities. Due to market or other conditions, there will be times when we will have limited access to capital from the equity and debt markets. During such periods, virtually all of our available capital will be required to meet existing commitments and to reduce existing debt. We may not be able to obtain additional equity or debt capital or dispose of assets, on favorable terms, if at all, at the time we need additional capital to acquire healthcare properties on a competitive basis or to meet our obligations. Our ability to grow through acquisitions and developments will be limited if we are unable to obtain debt or equity financing, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

DEPENDENCE ON OUR TENANTS FOR RENT MAY ADVERSELY IMPACT OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

We expect to qualify as a REIT and, accordingly, as a REIT operating in the healthcare industry, we are not permitted by current tax law to operate or manage the businesses conducted in our facilities. Accordingly, we rely almost exclusively on rent payments from our tenants for cash with which to make distributions to our stockholders. We have no control over the success or failure of these tenants' businesses. Significant adverse changes in the operations of any facility, or the financial condition of any tenant, could have a material adverse effect on our ability to collect rent payments and, accordingly, on our ability to make distributions to our stockholders. Facility management by our tenants and their compliance with state and federal healthcare laws could have a material impact on our tenants' operating and financial condition and, in turn, their ability to pay rent to us. Failure on the part of a tenant to comply materially with the terms of a lease could give us the right to terminate our lease with that tenant, repossess the applicable facility, cross default certain other leases with that tenant and enforce the payment obligations under the lease. However, we then would be required to find another tenant-operator.

On March 31, 2005, the leases for the Vibra Facilities were amended to provide (i) that the testing of certain financial covenants will be deferred until the quarter beginning July 1, 2006 and ending September 30, 2006, (ii) that these same financial covenants will be tested on a consolidated basis for all of the Vibra Facilities, (iii) that the reduction, based on loan principal reductions, in the rate of percentage rent will be made on a monthly rather than annual basis and (iv) that Vibra will escrow insurance premiums and taxes at our request. Prior to execution of this amendment, Vibra was not in compliance with certain of the financial covenants in all of its leases with us.

The transfer of most types of healthcare facilities is highly regulated, which may result in delays and increased costs in locating a suitable replacement tenant. The sale or lease of these properties to entities other than healthcare operators may be difficult due to the added cost and time of refitting the properties. If we are unable to re-let the properties to healthcare operators, we may be forced to sell the properties at a loss due to the repositioning expenses likely to be incurred by non-healthcare purchasers. Alternatively, we may be required to spend substantial amounts to adapt the facility to other uses. There can be no assurance that we would be able to find another tenant in a timely fashion, or at all, or that, if another tenant were found, we would be able to enter into a new lease on favorable terms. Defaults by our tenants under our leases may adversely affect the timing of and our ability to make distributions to our stockholders.

FAILURE BY OUR TENANTS OR OTHER PARTIES TO WHOM WE MAKE LOANS TO REPAY LOANS CURRENTLY OUTSTANDING OR LOANS WE ARE OBLIGATED TO MAKE, OR TO PAY US COMMITMENT OR OTHER FEES THAT THEY ARE OBLIGATED TO PAY, IN AN AGGREGATE AMOUNT OF APPROXIMATELY $114.1 MILLION, WOULD HAVE A MATERIAL ADVERSE EFFECT ON OUR REVENUES AND OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary made a secured loan to Vibra of approximately $41.4 million to acquire the operations at the Vibra Facilities. Payment of this loan is secured by pledges of equity interests in Vibra and its subsidiaries that are tenants of ours. All leases and other agreements between us, or our affiliates, on the one hand, and the tenant and Mr. Hollinger, or their affiliates, on the other hand, including leases for the Vibra Facilities, the sublease for the Redding Facility and the Vibra loan, are cross-defaulted. If Vibra defaulted on this loan, our primary recourse would be to foreclose on the equity interests in Vibra and its affiliates. This recourse may be impractical because of limitations imposed by the REIT tax rules on our ability to own these interests. Failure to adhere to these limitations could cause us to lose our REIT status. We have obtained guaranty agreements for the Vibra loan from Mr. Hollinger, Vibra Management, LLC and The Hollinger Group that obligate them to make loan payments in the event that Vibra fails to do so. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million and Vibra Management, LLC and The Hollinger Group do not have substantial assets. Vibra has entered into a $14 million credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables. There was approximately $11 million outstanding under the facility on March 31, 2005. At March 31, 2005, Vibra was not in compliance with a facility rent coverage covenant under its Merrill Lynch credit facility. The Merrill Lynch credit facility documents were subsequently amended to retroactively change the rent coverage covenant from a by-facility rent coverage to a consolidated rent coverage calculation, so that Vibra was in compliance with the amended covenant at March 31, 2005. Our loan is subordinate to Merrill Lynch with respect to Vibra's receivables.

On June 9, 2005, in connection with our proposed acquisition of the Denham Springs Facility, we made a loan of $6.0 million to Denham Springs Healthcare Properties, L.L.C., $500,000 of which is to be held in escrow.

We have also agreed to make a working capital loan to Stealth of up to $1.62 million, although no amounts have been loaned to date. Stealth also owes us commitment and other fees of approximately $1.1 million. Payment of these fees and loan amounts is unsecured. We have also agreed to make a construction loan to North Cypress for approximately $64.0 million to fund the construction of a community hospital in Houston, Texas, secured by the hospital improvements. We are dependent upon the ability of Vibra, Denham Springs Healthcare Properties, L.L.C. and North Cypress to repay these loans and fees, and their failure to meet these obligations would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

ACCOUNTING RULES MAY REQUIRE CONSOLIDATION OF ENTITIES IN WHICH WE INVEST AND OTHER ADJUSTMENTS TO OUR FINANCIAL STATEMENTS.

The Financial Accounting Standards Board, or FASB, issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51 (ARB No. 51)," in January 2003, and a further interpretation of FIN 46 in December 2003 (FIN 46-R, and collectively FIN 46). FIN 46 clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties, referred to as variable interest entities. FIN 46 generally requires consolidation by the party that has a majority of the risk and/or rewards, referred to as the primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003. Under certain circumstances, generally accepted accounting principles may require us to account for loans to thinly capitalized companies such as Vibra as equity investments. The resulting accounting treatment of certain income and expense items may adversely affect our results of operations, and consolidation of balance sheet amounts may adversely affect any loan covenants.

THE BANKRUPTCY OR INSOLVENCY OF OUR TENANTS UNDER OUR LEASES COULD SERIOUSLY HARM OUR OPERATING RESULTS AND FINANCIAL CONDITION.

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

OUR FACILITIES AND PROPERTIES UNDER DEVELOPMENT ARE CURRENTLY LEASED TO ONLY FIVE TENANTS, THREE OF WHICH WERE RECENTLY ORGANIZED AND HAVE LIMITED OR NO OPERATING HISTORIES, AND FAILURE OF ANY OF THESE TENANTS AND THE GUARANTORS OF THEIR LEASES TO MEET THEIR OBLIGATIONS TO US WOULD HAVE A MATERIAL ADVERSE EFFECT ON OUR REVENUES AND OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

Our existing facilities and the properties we have under development are currently leased to Vibra, DVH, Gulf States, North Cypress and Stealth or their subsidiaries. If any of our tenants were to experience financial difficulties, the tenant may not be able to pay its rent. Vibra, North Cypress and Stealth were recently organized, have limited or no operating histories and Vibra was dependent on us for an aggregate amount of $47.6 million in loans to acquire operations at the Vibra Facilities, for the funds to purchase the Redding Facility which it sold to us at the same time that it purchased that facility and for its initial working capital needs. As of December 31, 2004, Vibra had total assets of approximately $59.0 million (of which approximately $28.8 million was goodwill and other intangible assets), total liabilities of approximately $62.8 million, a deficit in owner's capital of approximately $3.8 million, and for the period from inception through December 31, 2004 had a loss from operations of approximately $5.1 million and a net loss of approximately $3.8 million. Stealth had approximately $5.7 million in equity as of December 31, 2004 and will have substantial pre-opening and start-up costs upon completion of construction of its facilities. We cannot assure you that, should Stealth's equity be insufficient to cover its costs, it could access additional debt or equity financing. Each lease for the Vibra Facilities is guaranteed by Brad E. Hollinger, chief executive officer of The Hollinger Group, Vibra, Vibra Management, LLC and The Hollinger Group. The sublease for the Redding Facility is guaranteed by Vibra, Vibra Management, LLC and The Hollinger Group. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the total lease obligations. Mr. Hollinger has not guaranteed the Redding Facility sublease and Mr. Hollinger's guaranty of the leases for the Vibra Facilities is limited to $5.0 million, Vibra Management, LLC and The Hollinger Group do not have substantial assets, and Vibra's assets are substantially comprised of the operations at the Vibra Facilities and at the Redding Facility. DVH has provided to us unaudited financial statements reflecting that, as of March 31, 2005, it had tangible assets of approximately $21.6 million, liabilities of approximately $17.6 million and stockholders' equity of approximately $4.0 million, and for the three months ended March 31, 2005, had net income of approximately $4.0 million. The lease for the Desert Valley Facility is guaranteed by Desert Valley Health System, Inc., Desert Valley Medical Group, Inc. and Prime A Investments, LLC. Desert Valley Health System, Inc. has provided to us audited financial statements showing that, as of December 31, 2004, it had consolidated tangible assets of approximately $40.5 million, consolidated liabilities of approximately $31.4 million, and consolidated tangible net worth of approximately $9.1 million and for the year ended December 31, 2004, had consolidated net income of approximately $3.9 million. The lease for the Covington Facility is guaranteed by Gulf States and Team Rehab, L.L.C., or Team Rehab. Gulf States has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $11.1 million, liabilities of approximately $9.3 million and stockholders' equity of approximately $1.8 million, and for the year ended December 31, 2004 had net income of approximately $2.0 million. Team Rehab has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $21.3 million, liabilities of approximately $9.2 million and owner's equity of approximately $12.1 million, and for the year ended December 31, 2004 had net income of approximately $1.7 million. North Cypress is newly formed and has had no significant operations to date. The ground sublease and the facility leases related to the North Cypress Facility require that, as of the commencement date of each lease, the tenant shall have received from its equity owners at least $15.0 million in cash equity. Guarantors of our leases with DVH and Gulf States may not have sufficient assets for us to recover amounts due to us under those leases. The failure of our tenants and their guarantors to meet their obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

OUR BUSINESS IS HIGHLY COMPETITIVE AND WE MAY BE UNABLE TO COMPETE SUCCESSFULLY.

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

- private investors;

- healthcare providers, including physicians;

- other REITs;

- real estate partnerships;

- financial institutions; and

- local developers.

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

OUR USE OF DEBT FINANCING WILL SUBJECT US TO SIGNIFICANT RISKS, INCLUDING REFINANCING RISK AND THE RISK OF INSUFFICIENT CASH AVAILABLE FOR DISTRIBUTION TO OUR STOCKHOLDERS.

Our charter and other organizational documents do not limit the amount of debt we may incur. We have targeted our debt level at up to approximately 50-60% of our aggregate facility acquisition and development costs. However, we may modify our target debt level at any time without stockholder or board of director approval. We cannot assure you that our use of financial leverage will prove to be beneficial. In December 2004 we borrowed $75.0 million from Merrill Lynch Capital under a loan agreement. We have also entered into construction loan agreements with Colonial Bank pursuant to which we can borrow up to $43.4 million. As of March 31, 2005, we had $74.1 million of long-term debt outstanding. We have executed a term sheet with Merrill Lynch Capital providing for a senior secured revolving credit facility of up to $100.0 million with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. We will have the right to increase the amount available under the facility by an amount up to $75.0 million.

We may borrow from other lenders in the future, or we may issue corporate debt securities in public or private offerings. The loans from Merrill Lynch Capital and Colonial Bank are secured by the Vibra Facilities and the West Houston Facilities, respectively. Some of our other borrowings in the future may be secured by additional facilities we may acquire or develop. In addition, in connection with debt financing from Merrill Lynch Capital and Colonial Bank we are, and in connection with other debt financing in the future we may be, subject to covenants that may restrict our operations. We cannot assure you that we will be able to meet our debt payment obligations or restrictive covenants and, to the extent that we cannot, we risk the loss of some or all of our facilities to foreclosure. In addition, debt service obligations will reduce the amount of cash available for distribution to our stockholders.

We anticipate that much of our debt will be non-amortizing and payable in balloon payments. Therefore, we will likely need to refinance at least a portion of that debt as it matures. There is a risk that we may not be able to refinance then-existing debt or that the terms of any refinancing will not be as favorable as the terms of the then-existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital or sales of facilities, our cash flow may not be sufficient to repay all maturing debt in years when significant balloon payments come due. Additionally, we may incur significant penalties if we choose to prepay the debt.

FAILURE TO HEDGE EFFECTIVELY AGAINST INTEREST RATE CHANGES MAY ADVERSELY AFFECT OUR RESULTS OF OPERATIONS AND OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

Upon completion of this offering, we expect to have approximately $73.0 million in variable interest rate debt. We may seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, including the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that these arrangements may result in higher interest rates than we would otherwise have. Moreover, no hedging activity can completely insulate us from the risks associated with changes in interest rates. Failure to hedge effectively against interest rate changes may materially adversely affect results of operations and our ability to make distributions to our stockholders.

MOST OF OUR CURRENT TENANTS HAVE, AND PROSPECTIVE TENANTS MAY HAVE, AN OPTION TO PURCHASE THE FACILITIES WE LEASE TO THEM WHICH COULD DISRUPT OUR OPERATIONS.

Most of our current tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. At the expiration of each lease for the Vibra Facilities, each tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, determined assuming the lease is still in place, or (ii) the purchase price we paid for the facility, including acquisition costs, increased by 2.5% per year from the date of purchase. At any time after February 28, 2007, so long as DVH, and its affiliates are not in default under any lease with us or any of the leases with its subtenants, DVH will have the option, upon 90 days' prior written notice, to purchase the Desert Valley Facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us. These same purchase rights also apply if we provide DVH with notice of the exercise of our right to change management as a result of a default, provided DVH gives us notice within five days following receipt of such notice. If during the term of the lease we receive from the previous owner or any of its affiliates, a written offer to purchase the Desert Valley Facility and we are willing to accept the offer, so long as DVH and its affiliates are not in default under any lease with us or any of the subleases with its subtenants, we must first present the offer to DVH and allow DVH the right to purchase the facility upon the same price, terms and conditions as set forth in the offer; however, if the offer is made after February 28, 2007, in lieu of exercising its right of first refusal, DVH may exercise its option to purchase as provided above. So long as Gulf States is not in default under any lease with us or in default under any sublease, Gulf States will have the option to purchase the Covington Facility (i) at the expiration of the initial term and each extension term of the lease, to be exercised by 60 days' written notice prior to the expiration of the initial term and each extension term, and (ii) within five days of written notification from us exercising our right to terminate the engagement of the tenant's or its affiliate's management company as the management company for the facility as a result of an event of default under the lease. The purchase price for the Covington Facility purchase options will be equal to the greater of (i) the appraised value of the facility based on a 15 year lease in place, or (ii) the purchase price paid by us for the Covington Facility, increased annually by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1. If we elect to purchase the North Cypress Facility upon completion of construction, at the expiration of the facility lease the tenant will have the option, so long as no event of default has occurred, to purchase our interest in the property leased pursuant to the facility lease at a purchase price equal to the greater of (i) the appraised value of the leased property or (ii) the purchase price paid by us to tenant pursuant to the purchase and sale agreement relating to the hospital improvements plus our interest in any capital additions funded by us, as increased by the amount equal to the greater of (A) 2.5% from the date of the facility lease execution or (B) the rate of increase in the CPI as of each January 1 which has passed during the lease term; provided that in no event shall the purchase price be less than the fair market value of the property leased. After the first full 12 month period after construction of the West Houston MOB and the West Houston Hospital, respectively, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, it has the right to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) that amount determined under a formula that would provide us an internal rate of return of at least 18% and (ii) the appraised value based on a 15 year lease in place. Upon written notice to us within 90 days of the expiration of the applicable lease, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, Stealth will have the option to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) the total development costs (including any capital additions funded by us, but excluding any capital additions funded by Stealth) increased by 2.5% per year, and (ii) the appraised value based on a 15 year lease in place. The Stealth leases also provide that under certain limited circumstances, Stealth will have the right to present us with a choice of one out of three proposed exchange facilities to be substituted for the leased facility.

All of our arrangements which provide or will provide tenants the option to purchase the facilities we lease to them are subject to regulatory requirements that such purchases be at fair market value. We cannot assure you that the formulas we have developed for setting the purchase price will yield a fair market value purchase price. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities.

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

PROPERTY OWNED IN LIMITED LIABILITY COMPANIES AND PARTNERSHIPS IN WHICH WE ARE NOT THE SOLE EQUITY HOLDER MAY LIMIT OUR ABILITY TO ACT EXCLUSIVELY IN OUR INTERESTS.

We own, and in the future expect to own, interests in our facilities through wholly or majority owned subsidiaries of our operating partnership. Stealth, L.P., the tenant of our West Houston Hospital, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P., which owns the West Houston Hospital. We have sold limited partnership interests representing approximately 24% of the aggregate equity interests in MPT West Houston MOB, L.P., the entity that owns our West Houston MOB, to physicians and others associated with our tenant or subtenants of the West Houston MOB. We may offer limited liability company and limited partnership interests to tenants, subtenants and physicians in the future. Investments in partnerships, limited liability companies or other entities with co-owners may, under certain circumstances, involve risks not present were a co-owner not involved, including the possibility that partners or other co-owners might become bankrupt or fail to fund their share of required capital contributions. Partners or other co-owners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also have potential risks pertaining to healthcare regulatory compliance, particularly when partners or other co-owners are physicians, and of impasses on major decisions, such as sales or mergers, because neither we nor our partners or other co-owners would have full control over the partnership, limited liability company or other entity. Disputes between us and our partners or other co-owners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business. Consequently, actions by or disputes with our partners or other co-owners might result in subjecting facilities owned by the partnership, limited liability company or other entity to additional risk. In addition, we may in certain circumstances be liable for the actions of our partners or other co-owners. The occurrence of any of the foregoing events could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

TERRORIST ATTACKS, SUCH AS THE ATTACKS THAT OCCURRED IN NEW YORK AND WASHINGTON, D.C. ON SEPTEMBER 11, 2001, U.S. MILITARY ACTION AND THE PUBLIC'S REACTION TO THE THREAT OF TERRORISM OR MILITARY ACTION COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS AND THE MARKET ON WHICH OUR COMMON STOCK WILL TRADE.

There may be future terrorist threats or attacks against the United States or U.S. businesses. These attacks may directly impact the value of our facilities through damage, destruction, loss or increased security costs. Losses due to wars or terrorist attacks may be uninsurable, or insurance may not be available at a reasonable price. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economies.

RISKS RELATING TO REAL ESTATE INVESTMENTS

OUR REAL ESTATE INVESTMENTS WILL BE CONCENTRATED IN NET-LEASED HEALTHCARE FACILITIES, MAKING US MORE VULNERABLE ECONOMICALLY THAN IF OUR INVESTMENTS WERE MORE DIVERSIFIED.

We have acquired and are developing and expect to continue acquiring and developing net-leased healthcare facilities. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our business strategy to invest in net-leased healthcare facilities. A downturn in the real estate industry could materially adversely affect the value of our facilities. A downturn in the healthcare industry could negatively affect our tenants' ability to make lease or loan payments to us and, consequently, our ability to meet debt service obligations or make distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of healthcare facilities.

OUR NET-LEASED FACILITIES AND TARGETED NET-LEASED FACILITIES MAY NOT HAVE EFFICIENT ALTERNATIVE USES, WHICH COULD IMPEDE OUR ABILITY TO FIND REPLACEMENT TENANTS IN THE EVENT OF TERMINATION OR DEFAULT UNDER OUR LEASES.

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

ILLIQUIDITY OF REAL ESTATE INVESTMENTS COULD SIGNIFICANTLY IMPEDE OUR ABILITY TO RESPOND TO ADVERSE CHANGES IN THE PERFORMANCE OF OUR FACILITIES AND HARM OUR FINANCIAL CONDITION.

Real estate investments are relatively illiquid. Our ability to quickly sell or exchange any of our facilities in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value for any facility that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations.

DEVELOPMENT AND CONSTRUCTION RISKS COULD ADVERSELY AFFECT OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

We are developing a community hospital and an adjacent medical office building in Houston, Texas, which we expect to complete in 2005, and financing the development of a community hospital in Houston, Texas, which we expect to be completed in December 2006. We have entered into letters of commitment and contracts to develop properties in the future. Our development and related construction activities may subject us to the following risks:

- we may have to compete for suitable development sites;

- our ability to complete construction is dependent on there being no title, environmental or other legal proceedings arising during construction;

- we may be subject to delays due to weather conditions, strikes and other contingencies beyond our control;

- we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy healthcare regulatory and other required governmental permits and authorizations, which could result in increased costs, delays in construction, or our abandonment of these projects;

- we may incur construction costs for a facility which exceed our original estimates due to increased costs for materials or labor or other costs that we did not anticipate; and

- we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities.

We expect the net proceeds of this offering allocated to development projects to be applied to these projects over time. Additionally, the time frame required for development and construction of these facilities means that we may have to wait years for a significant cash return. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancings is not sufficient, we may be forced to borrow additional money to fund distributions. We cannot assure you that we will complete our current construction projects on time or within budget or that future development projects will not be subject to delays and cost overruns. Risks associated with our development projects may reduce anticipated rental revenue which could affect the timing of, and our ability to make, distributions to our stockholders.

OUR FACILITIES MAY NOT ACHIEVE EXPECTED RESULTS OR WE MAY BE LIMITED IN OUR ABILITY TO FINANCE FUTURE ACQUISITIONS, WHICH MAY HARM OUR FINANCIAL CONDITION AND OPERATING RESULTS AND OUR ABILITY TO MAKE THE DISTRIBUTIONS TO OUR STOCKHOLDERS REQUIRED TO MAINTAIN OUR REIT STATUS.

Acquisitions and developments entail risks that investments will fail to perform in accordance with expectations and that estimates of the costs of improvements necessary to acquire and develop facilities will prove inaccurate, as well as general investment risks associated with any new real estate investment. We anticipate that future acquisitions and developments will largely be financed through externally generated funds such as borrowings under credit facilities and other secured and unsecured debt financing and from issuances of equity securities. Because we must distribute at least 90% of our REIT taxable income, excluding net capital gain, each year to maintain our qualification as a REIT, our ability to rely upon income from operations or cash flow from operations to finance our growth and acquisition activities will be limited. Accordingly, if we are unable to obtain funds from borrowings or the capital markets to finance our acquisition and development activities, our ability to grow would likely be curtailed, amounts available for distribution to stockholders could be adversely affected and we could be required to reduce distributions, thereby jeopardizing our ability to maintain our status as a REIT.

Newly-developed or newly-renovated facilities do not have the operating history that would allow our management to make objective pricing decisions in acquiring these facilities (including facilities that may be acquired from certain of our executive officers, directors and their affiliates). The purchase prices of these facilities will be based in part upon projections by management as to the expected operating results of the facilities, subjecting us to risks that these facilities may not achieve anticipated operating results or may not achieve these results within anticipated time frames.

IF WE SUFFER LOSSES THAT ARE NOT COVERED BY INSURANCE OR THAT ARE IN EXCESS OF OUR INSURANCE COVERAGE LIMITS, WE COULD LOSE INVESTMENT CAPITAL AND ANTICIPATED PROFITS.

We have purchased general liability insurance (lessor's risk) that provides coverage for bodily injury and property damage to third parties resulting from our ownership of the healthcare facilities that are leased to and occupied by our tenants. Our leases generally require our tenants to carry general liability, professional liability, loss of earnings, all risk, and extended coverage insurance in amounts sufficient to permit the replacement of the facility in the event of a total loss, subject to applicable deductibles. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes and acts of terrorism, that may be uninsurable or not insurable at a price we or our tenants can afford. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impracticable to use insurance proceeds to replace a facility after it has been damaged or destroyed. Under such circumstances, the insurance proceeds we receive might not be adequate to restore our economic position with respect to the affected facility. If any of these or similar events occur, it may reduce our return from the facility and the value of our investment.

CAPITAL EXPENDITURES FOR FACILITY RENOVATION MAY BE GREATER THAN ANTICIPATED AND MAY ADVERSELY IMPACT RENT PAYMENTS BY OUR TENANTS AND OUR ABILITY TO MAKE DISTRIBUTIONS TO STOCKHOLDERS.

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

ALL OF OUR HEALTHCARE FACILITIES ARE SUBJECT TO PROPERTY TAXES THAT MAY INCREASE IN THE FUTURE AND ADVERSELY AFFECT OUR BUSINESS.

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

OUR PERFORMANCE AND THE PRICE OF OUR COMMON STOCK WILL BE AFFECTED BY RISKS ASSOCIATED WITH THE REAL ESTATE INDUSTRY.

Factors that may adversely affect the economic performance and price of our common stock include:

- changes in the national, regional and local economic climate, including but not limited to changes in interest rates;

- local conditions such as an oversupply of, or a reduction in demand for, rehabilitation hospitals, long-term acute care hospitals, ambulatory surgery centers, medical office buildings, specialty hospitals and treatment centers;

- attractiveness of our facilities to healthcare providers and other types of tenants; and

- competition from other rehabilitation hospitals, long-term acute care facilities, medical office buildings, outpatient treatment facilities, ambulatory surgery centers and specialty hospitals and treatment centers.

AS THE OWNER AND LESSOR OF REAL ESTATE, WE ARE SUBJECT TO RISKS UNDER ENVIRONMENTAL LAWS, THE COST OF COMPLIANCE WITH WHICH AND ANY VIOLATION OF WHICH COULD MATERIALLY ADVERSELY AFFECT US.

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

In April 2003, Stealth, which then owned the property on which the West Houston Facilities are being constructed, arranged for a Phase I environmental assessment to be performed. The assessor recommended further investigation based on field screening of soil samples collected during a geotechnical investigation. Accordingly, the tenant arranged for a Phase II environmental soil sampling to be performed in June 2003 to assess shallow soils for the presence of petroleum hydrocarbons and volatile organic compounds. Based on the findings of this sampling, the tenant was advised that no further tests were warranted and that the property was suitable for the proposed development.

In April 2005, we arranged for a Phase I environmental assessment to be performed at the Denham Springs Facility. The assessor recommended further soil and groundwater sampling due to the property's previous use as a hospital that involved X-ray and photochemical developing activities. Accordingly, we arranged for a Phase II environmental soil and groundwater sampling. On May 19, 2005, we received a Phase II report which concluded that one groundwater sample was at or exceeded Louisiana Department of Environmental Quality (LDEQ) Numerical Acute and Chronic Criteria standards for several metals. Concentrations of metals in the soil samples were either below quantification limits or below LDEQ regulatory guidelines. Based on this sampling, we were advised to present the findings to LDEQ for review and determination. We were also advised that additional action or investigation may be required by the agency. We cannot predict the action, if any, that may be taken by state or federal regulatory enforcement agencies with respect to these findings or the exposure to us for costs of clean-up or fines.

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

COSTS ASSOCIATED WITH COMPLYING WITH THE AMERICANS WITH DISABILITIES ACT OF 1993 MAY ADVERSELY AFFECT OUR FINANCIAL CONDITION AND OPERATING RESULTS.

Under the Americans with Disabilities Act of 1993, all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. While our facilities are generally in compliance with these requirements, a determination that we are not in compliance with the Americans with Disabilities Act of 1993 could result in imposition of fines or an award of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use and operation of the facilities, including changes to building codes and fire and life-safety codes, may occur. If we are required to make substantial modifications at our facilities to comply with the Americans with Disabilities Act of 1993 or other changes in governmental rules and regulations, this may have a material adverse effect on our financial condition and results of operations and could adversely affect our ability to make distributions to our stockholders.

OUR FACILITIES MAY CONTAIN OR DEVELOP HARMFUL MOLD OR SUFFER FROM OTHER AIR QUALITY ISSUES, WHICH COULD LEAD TO LIABILITY FOR ADVERSE HEALTH EFFECTS AND COSTS OF REMEDIATING THE PROBLEM.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our facilities could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected facilities or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants and others if property damage or health concerns arise.

OUR INTERESTS IN FACILITIES THROUGH GROUND LEASES EXPOSE US TO THE LOSS OF THE FACILITY UPON BREACH OR TERMINATION OF THE GROUND LEASE AND MAY LIMIT OUR USE OF THE FACILITY.

We have acquired interests in two of our facilities, at least in part, and one facility under development, by acquiring leasehold interests in the land on which the facility is or the facility under development will be located rather than an ownership interest in the property, and we may acquire additional facilities in the future through ground leases. As lessee under ground leases, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease. Ground leases may also restrict our use of facilities. Our current ground lease in Marlton, New Jersey limits use of the property to operation of a 76 bed rehabilitation hospital. Our current ground lease for the Redding Facility limits use of the property to operation of a community hospital offering the following services: skilled nursing; physical rehabilitation; occupational therapy; speech pathology; social services; assisted living; day health programs; long-term acute care services; psychiatric services; geriatric clinic services; outpatient services related to the foregoing service categories; and other post-acute services. These restrictions and any similar future restrictions in ground leases will limit our flexibility in renting the facility and may impede our ability to sell the property.

RISKS RELATING TO THE HEALTHCARE INDUSTRY

REDUCTIONS IN REIMBURSEMENT FROM THIRD-PARTY PAYORS, INCLUDING MEDICARE AND MEDICAID, COULD ADVERSELY AFFECT THE PROFITABILITY OF OUR TENANTS AND HINDER THEIR ABILITY TO MAKE RENT PAYMENTS TO US.

Sources of revenue for our tenants and operators may include the federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. In addition, the failure of any of our tenants to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government-sponsored payment programs.

The healthcare industry continues to face various challenges, including increased government and private payor pressure on healthcare providers to control or reduce costs. We believe that our tenants will continue to experience a shift in payor mix away from fee-for-service payors, resulting in an increase in the percentage of revenues attributable to managed care payors, government payors and general industry trends that include pressures to control healthcare costs. Pressures to control healthcare costs and a shift away from traditional health insurance reimbursement have resulted in an increase in the number of patients whose healthcare coverage is provided under managed care plans, such as health maintenance organizations and preferred provider organizations. In addition, due to the aging of the population and the expansion of governmental payor programs, we anticipate that there will be a marked increase in the number of patients reliant on healthcare coverage provided by governmental payors. These changes could have a material adverse effect on the financial condition of some or all of our tenants, which could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders.

THE HEALTHCARE INDUSTRY IS HEAVILY REGULATED AND EXISTING AND NEW LAWS OR REGULATIONS, CHANGES TO EXISTING LAWS OR REGULATIONS, LOSS OF LICENSURE OR CERTIFICATION OR FAILURE TO OBTAIN LICENSURE OR CERTIFICATION COULD RESULT IN THE INABILITY OF OUR TENANTS TO MAKE LEASE PAYMENTS TO US.

The healthcare industry is highly regulated by federal, state and local laws, and is directly affected by federal conditions of participation, state licensing requirements, facility inspections, state and federal reimbursement policies, regulations concerning capital and other expenditures, certification requirements and other such laws, regulations and rules. In addition, establishment of healthcare facilities and transfers of operations of healthcare facilities are subject to regulatory approvals not required for establishment of or transfers of other types of commercial operations and real estate. Sanctions for failure to comply with these regulations and laws include, but are not limited to, loss of or inability to obtain licensure, fines and loss of or inability to obtain certification to participate in the Medicare and Medicaid programs, as well as potential criminal penalties. The failure of any tenant to comply with such laws, requirements and regulations could affect its ability to establish or continue its operation of the facility or facilities and could adversely affect the tenant's ability to make lease payments to us which could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders. In addition, restrictions and delays in transferring the operations of healthcare facilities, in obtaining new third-party payor contracts including Medicare and Medicaid provider agreements, and in receiving licensure and certification approval from appropriate state and federal agencies by new tenants may affect our ability to terminate lease agreements, remove tenants that violate lease terms, and replace existing tenants with new tenants. Furthermore, these matters may affect new tenants ability to obtain reimbursement for services rendered, which could adversely affect their ability to pay rent to us and to pay principal and interest on their loans from us.

ADVERSE TRENDS IN HEALTHCARE PROVIDER OPERATIONS MAY NEGATIVELY AFFECT OUR LEASE REVENUES AND OUR ABILITY TO MAKE DISTRIBUTIONS TO OUR STOCKHOLDERS.

We believe that the healthcare industry is currently experiencing:

- changes in the demand for and methods of delivering healthcare services;

- changes in third-party reimbursement policies;

- significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas;

- continuing pressure by private and governmental payors to reduce payments to providers of services; and

- increased scrutiny by federal and state authorities of billing, referral and other practices.

These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our revenues. Accordingly, these factors could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders.

OUR TENANTS ARE SUBJECT TO FRAUD AND ABUSE LAWS, THE VIOLATION OF WHICH BY A TENANT MAY JEOPARDIZE THE TENANT'S ABILITY TO MAKE LEASE AND LOAN PAYMENTS TO US.

The federal government and numerous state governments have passed laws and regulations that attempt to eliminate healthcare fraud and abuse by prohibiting business arrangements that induce patient referrals or the ordering of specific ancillary services. In addition, the Balanced Budget Act of 1997 strengthened the federal anti-fraud and abuse laws to provide for stiffer penalties for violations. Violations of these laws may result in the imposition of criminal and civil penalties, including possible exclusion from federal and state healthcare programs. Imposition of any of these penalties upon any of our tenants could jeopardize any tenant's ability to operate a facility or to make lease and loan payments, thereby potentially adversely affecting us.

In the past several years, federal and state governments have significantly increased investigation and enforcement activity to detect and eliminate fraud and abuse in the Medicare and Medicaid programs. In addition, legislation has been adopted at both state and federal levels which severely restricts the ability of physicians to refer patients to entities in which they have a financial interest. It is anticipated that the trend toward increased investigation and enforcement activity in the area of fraud and abuse, as well as self-referrals, will continue in future years and could adversely affect our prospective tenants and their operations, and in turn their ability to make lease and loan payments to us.

We cannot assure you that we will meet all the conditions for the safe harbor for space rental in structuring lease arrangements involving facilities in which local physicians are investors and tenants, and it is unlikely that we will meet all conditions for the safe harbor in those instances in which percentage rent is contemplated and we have physician investors. In addition, federal regulations require that our tenants with purchase options pay fair market value purchase prices for facilities in which we have physician investment. We cannot assure you that all of our purchase options will be at fair market value. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities.

Vibra has accepted, and prospective tenants may accept, an assignment of the previous operator's Medicare provider agreement. Vibra and other new-operator tenants that take assignment of Medicare provider agreements might be subject to federal or state regulatory, civil and criminal investigations of the previous owner's operations and claims submissions. While we conduct due diligence in connection with the acquisition of such facilities, these types of issues may not be discovered prior to purchase. Adverse decisions, fines or recoupments might negatively impact our tenants' financial condition.

CERTAIN OF OUR LEASE ARRANGEMENTS MAY BE SUBJECT TO FRAUD AND ABUSE OR PHYSICIAN SELF-REFERRAL LAWS.

Local physician investment in our operating partnership or our subsidiaries that own our facilities could subject our lease arrangements to scrutiny under fraud and abuse and physician self-referral laws. Under the federal Ethics in Patient Referrals Act of 1989, or Stark Law, and regulations adopted thereunder, if our lease arrangements do not satisfy the requirements of an applicable exception, that noncompliance could adversely affect the ability of our tenants to bill for services provided to Medicare beneficiaries pursuant to referrals from physician investors and subject us and our tenants to fines, which could impact their ability to make lease and loan payments to us. On March 26, 2004, CMS issued Phase II final rules under the Stark Law, which, together with the 2001 Phase I final rules, set forth CMS' current interpretation and application of the Stark Law prohibition on referrals of designated health services, or DHS. These rules provide us additional guidance on application of the Stark Law through the implementation of "bright-line" tests, including additional regulations regarding the indirect compensation exception, but do not eliminate the risk that our lease arrangements and business strategy of physician investment may violate the Stark Law. Finally, the Phase II rules implemented an 18-month moratorium on physician ownership or investment in specialty hospitals imposed by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Although the moratorium imposed by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 expired on June 8, 2005, a bill introduced in the Senate essentially would make the moratorium on physician ownership or investment in specialty hospitals permanent with limited exceptions. If enacted, the law would have a retroactive effective date of June 8, 2005. We intend to use our good faith efforts to structure our lease arrangements to comply with these laws; however, if we are unable to do so, this failure may restrict our ability to permit physician investment or, where such physicians do participate, may restrict the types of lease arrangements into which we may enter, including our ability to enter into percentage rent arrangements.

STATE CERTIFICATE OF NEED LAWS MAY ADVERSELY AFFECT OUR DEVELOPMENT OF FACILITIES AND THE OPERATIONS OF OUR TENANTS.

Certain healthcare facilities in which we invest may also be subject to state laws which require regulatory approval in the form of a certificate of need prior to initiation of certain projects, including, but not limited to, the establishment of new or replacement facilities, the addition of beds, the addition or expansion of services and certain capital expenditures. State certificate of need laws are not uniform throughout the United States and are subject to change. We cannot predict the impact of state certificate of need laws on our development of facilities or the operations of our tenants.

In addition, certificate of need laws often materially impact the ability of competitors to enter into the marketplace of our facilities. Finally, in limited circumstances, loss of state licensure or certification or closure of a facility could ultimately result in loss of authority to operate the facility and require re-licensure or new certificate of need authorization to re-institute operations. As a result, a portion of the value of the facility may be related to the limitation on new competitors. In the event of a change in the certificate of need laws, this value may markedly decrease.

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

PROVISIONS OF MARYLAND LAW, OUR CHARTER AND OUR BYLAWS MAY PREVENT OR DETER CHANGES IN MANAGEMENT AND THIRD-PARTY ACQUISITION PROPOSALS THAT YOU MAY BELIEVE TO BE IN YOUR BEST INTEREST, DEPRESS OUR STOCK PRICE OR CAUSE DILUTION.

Our charter contains ownership limitations that may restrict business combination opportunities, inhibit change of control transactions and reduce the value of our stock. To qualify as a REIT under the Code, no more than 50% in value of our outstanding stock, after taking into account options to acquire stock, may be owned, directly or indirectly, by five or fewer persons during the last half of each taxable year, other than our first REIT taxable year. Our charter generally prohibits direct or indirect ownership by any person of more than 9.8% in value or in number, whichever is more restrictive, of outstanding shares of any class or series of our securities, including our common stock. Generally, common stock owned by affiliated owners will be aggregated for purposes of the ownership limitation. Any transfer of our common stock that would violate the ownership limitation will be null and void, and the intended transferee will acquire no rights in such stock. Instead, such common stock will be designated as "shares-in-trust" and transferred automatically to a trust effective on the day before the purported transfer of such stock. The beneficiary of that trust will be one or more charitable organizations named by us. The ownership limitation could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of common stock might receive a premium for their common stock over the then-current market price or which such holders otherwise might believe to be in their best interests. The ownership limitation provisions also may make our common stock an unsuitable investment vehicle for any person seeking to obtain, either alone or with others as a group, ownership of more than 9.8% of either the value or number of the outstanding shares of our common stock. Our board of directors, in its sole discretion, may waive or modify, subject to limitations, the ownership limit with respect to one or more stockholders if it is satisfied that ownership in excess of their limit will not jeopardize our status as a REIT. See "Description of Capital Stock -- Restrictions on Ownership and Transfer."

Certain provisions of Maryland law may limit the ability of a third party to acquire control of our company. Certain provisions of the Maryland General Corporation Law, or the MGCL, could have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as a person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of the holders of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL pursuant to provisions in our charter. However, we may, by amendment to our charter with approval of our stockholders, opt in to the business combination and control share provisions of the MGCL in the future.

Additionally, Title 8, Subtitle 3 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter and our amended and restated bylaws, or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not presently have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price of our common stock.

Maryland law does not impose heightened standards on directors in takeover situations. The MGCL provides that an act of a director relating to or affecting an acquisition or potential acquisition of control of a corporation may not be subject to a higher duty or greater scrutiny than is applied to any other act of a director. Therefore, directors of a Maryland corporation are not required to act in the same manner as directors of a Delaware corporation in takeover situations.

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

Our board of directors may issue additional shares that may cause dilution and could deter change of control transactions that you may believe to be in your best interest. Our charter authorizes our board, without stockholder approval, to:

- issue up to 10,000,000 shares of preferred stock, having preferences, conversion or other rights, voting powers, restrictions, limitations as to distribution, qualifications, or terms or conditions of redemption as determined by the board;

- amend the charter to increase or decrease the aggregate number of shares of capital stock or the number of shares of stock of any class or series that we have the authority to issue;

- cause us to issue additional authorized but unissued shares of common stock or preferred stock; and

- classify or reclassify any unissued shares of common or preferred stock by setting or changing in any one or more respects, from time to time before the issuance of such shares, the preferences, conversion or other rights and other terms of such classified or reclassified shares, including the issuance of additional shares of common stock or preferred stock that have preference rights over the common stock with respect to dividends, liquidation, voting and other matters.

WE DEPEND ON KEY PERSONNEL, THE LOSS OF ANY ONE OF WHOM MAY THREATEN OUR ABILITY TO OPERATE OUR BUSINESS SUCCESSFULLY.

We depend on the services of Edward K. Aldag, Jr., William G. McKenzie, Emmett E. McLean, R. Steven Hamner and Michael G. Stewart to carry out our business and investment strategy. If we were to lose any of these executive officers, it may be more difficult for us to locate attractive acquisition targets, complete our acquisitions and manage the facilities that we have acquired or are developing. Additionally, as we expand, we will continue to need to attract and retain additional qualified officers and employees. The loss of the services of any of our executive officers, or our inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business and financial results.

WE MAY EXPERIENCE CONFLICTS OF INTEREST WITH OUR OFFICERS AND DIRECTORS, WHICH COULD RESULT IN OUR OFFICERS AND DIRECTORS ACTING OTHER THAN IN OUR BEST INTEREST.

As described below, our officers and directors may have conflicts of interest in connection with their duties to us and the limited partners of our operating partnership and with allocation of their time between our business and affairs and their other business interests. In addition, from time to time, we may acquire or develop facilities in transactions involving prospective tenants in which our directors or officers have an interest. In transactions of this nature, there will be conflicts between our interests and the interests of the director or officer involved, and that director or officer may be in a position to influence the terms of those transactions.

In the event we purchase properties from executive officers or directors in exchange for units of limited partnership in our operating partnership, the interests of those persons with the interests of the company may conflict. Where a unitholder has unrealized gains associated with his limited partnership interests in our operating partnership, these holders may incur adverse tax consequences in the event of a sale or refinancing of those properties. Therefore the interest of these executive officers or directors of our company could be different from the interests of the company in connection with the disposition or refinancing of a property. Conflicts of interest with our officers and directors could result in our officers and directors acting other than in our best interest.

OUR EXECUTIVE OFFICERS HAVE AGREEMENTS THAT PROVIDE THEM WITH BENEFITS IN THE EVENT THEIR EMPLOYMENT IS TERMINATED BY US WITHOUT CAUSE, BY THE EXECUTIVE FOR GOOD REASON, OR UNDER CERTAIN CIRCUMSTANCES FOLLOWING A CHANGE OF CONTROL TRANSACTION THAT YOU MAY BELIEVE TO BE IN YOUR BEST INTEREST.

We have entered into agreements with certain of our executive officers that provide them with severance benefits if their employment is terminated by us without cause, by them for good reason (which includes, among other reasons, failure to be elected to the board for Mr. Aldag and failure to have their agreements automatically renewed for Messrs. Aldag, McLean, Hamner, McKenzie and Stewart), or under certain circumstances following a change of control of our company. Certain of these benefits and the related tax indemnity could prevent or deter a change of control of our company that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

THE VICE CHAIRMAN OF OUR BOARD OF DIRECTORS, WILLIAM G. MCKENZIE, HAS OTHER BUSINESS INTERESTS THAT MAY HINDER HIS ABILITY TO ALLOCATE SUFFICIENT TIME TO THE MANAGEMENT OF OUR OPERATIONS, WHICH COULD JEOPARDIZE OUR ABILITY TO EXECUTE OUR BUSINESS PLAN.

Our employment agreement with the vice chairman of our board of directors, Mr. McKenzie, permits him to continue to own, operate and control facilities that he owned as of the date of his employment agreement and requires that he only provide a limited amount of his time per month to our company. In addition, the terms of Mr. McKenzie's employment agreement permit him to compete against us with respect to these previously owned healthcare facilities.

ALL MANAGEMENT RIGHTS ARE VESTED IN OUR BOARD OF DIRECTORS AND OUR STOCKHOLDERS HAVE LIMITED RIGHTS.

Our board of directors is responsible for our management and strategic business direction, and management is responsible for our day-to-day operations. Our major policies, including our policies with respect to REIT qualification, acquisitions and developments, leasing, financing, growth, operations, debt limitation and distributions, are determined by our board of directors. Our board of directors may amend or revise these and other policies from time to time without a vote of our stockholders. Investment and operational policy changes could adversely affect the market price of our common stock and our ability to make distributions to our stockholders.

THE ABILITY OF OUR BOARD OF DIRECTORS TO REVOKE OUR REIT STATUS WITHOUT STOCKHOLDER APPROVAL MAY CAUSE ADVERSE CONSEQUENCES TO OUR STOCKHOLDERS.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on total return to our stockholders.

OUR RIGHTS AND THE RIGHTS OF OUR STOCKHOLDERS TO TAKE ACTION AGAINST OUR DIRECTORS AND OFFICERS ARE LIMITED.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws and indemnification agreements require us to indemnify our directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers. See "Certain Provisions of Maryland Law and of Our Charter and Bylaws -- Indemnification and Limitation of Directors' and Officers' Liability." Directors may be removed with or without cause by the affirmative vote of the holders of two-thirds of the votes entitled to be cast in the election of directors.

OUR UPREIT STRUCTURE MAY RESULT IN CONFLICTS OF INTEREST BETWEEN OUR STOCKHOLDERS AND THE HOLDERS OF OUR OPERATING PARTNERSHIP UNITS.

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

THROUGH WHOLLY-OWNED SUBSIDIARIES, WE ARE THE GENERAL PARTNER OF OUR OPERATING PARTNERSHIP AND OUR OPERATING PARTNERSHIP, THROUGH WHOLLY-OWNED SUBSIDIARIES, IS THE GENERAL PARTNER OF OTHER SUBSIDIARIES WHICH OWN OUR FACILITIES AND, SHOULD ANY OF THESE WHOLLY-OWNED GENERAL PARTNERS BE DISREGARDED, THEN WE OR OUR OPERATING PARTNERSHIP COULD BECOME LIABLE FOR THE DEBTS AND OTHER OBLIGATIONS OF OUR SUBSIDIARIES BEYOND THE AMOUNT OF OUR INVESTMENT.

Through our wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of our operating partnership, and also currently own 100% of the limited partnership interests in the operating partnership. In addition, our operating partnership, through other wholly-owned subsidiaries, is the general partner of other subsidiaries which own our facilities. If any of our wholly-owned subsidiaries which act as general partner were disregarded, we would be liable for the debts and other obligations of the subsidiaries that own our facilities. In such event, if any of these subsidiaries were unable to pay their debts and other obligations, we would be liable for such debts and other obligations beyond the amount of our investment in these subsidiaries. These obligations could include unforeseen contingent liabilities.

TAX RISKS ASSOCIATED WITH OUR STATUS AS A REIT

FAILURE TO ATTAIN OR LOSS OF OUR TAX STATUS AS A REIT WOULD HAVE SIGNIFICANT ADVERSE CONSEQUENCES TO US AND THE VALUE OF OUR COMMON STOCK.

We expect to qualify as a REIT for federal income tax purposes and will elect to be taxed as a REIT under the federal income tax laws commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. Our qualification as a REIT will depend on our ability to meet various requirements concerning, among other things, the ownership of our outstanding common stock, the nature of our assets, the sources of our income and the amount of our distributions to our stockholders. The REIT qualification requirements are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, there is no assurance that we will be successful in operating so as to qualify as a REIT. At any time, new laws, regulations, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our board of directors to revoke the REIT election, which it may do without stockholder approval.

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

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income; therefore we would be subject to federal income tax at regular corporate rates and we might need to borrow money or sell assets in order to pay any such tax;

- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

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

FAILURE TO MAKE REQUIRED DISTRIBUTIONS WOULD SUBJECT US TO TAX.

In order to qualify as a REIT, each year we must distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gain. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of:

- 85% of our ordinary income for that year;

- 95% of our capital gain net income for that year; and

- 100% of our undistributed taxable income from prior years.

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

WE WILL PAY SOME TAXES AND THEREFORE MAY HAVE LESS CASH AVAILABLE FOR DISTRIBUTION TO OUR STOCKHOLDERS.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay some U.S. federal, state and local taxes on the income from the operations of our taxable REIT subsidiary, MPT Development Services, Inc. A taxable REIT subsidiary is a fully taxable corporation and may be limited in its ability to deduct interest payments made to us. In addition, we will be subject to a 100% penalty tax on certain amounts if the economic arrangements among our tenants, our taxable REIT subsidiary and us are not comparable to similar arrangements among unrelated parties. To the extent that we are or our taxable REIT subsidiary is required to pay U.S. federal, state or local taxes, we will have less cash available for distribution to stockholders.

COMPLYING WITH REIT REQUIREMENTS MAY CAUSE US TO FOREGO OTHERWISE ATTRACTIVE OPPORTUNITIES.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forego attractive business or investment opportunities. Overall, no more than 20% of the value of our assets may consist of securities of one or more taxable REIT subsidiaries, and no more than 25% of the value of our assets may consist of securities that are not qualifying assets under the test requiring that 75% of a REIT's assets consist of real estate and other related assets. Further, a taxable REIT subsidiary may not directly or indirectly operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider that is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to the facility. Thus, compliance with the REIT requirements may limit our flexibility in executing our business plan.

OUR LOAN TO VIBRA COULD BE RECHARACTERIZED AS EQUITY, IN WHICH CASE OUR RENTAL INCOME FROM VIBRA WOULD NOT BE QUALIFYING INCOME UNDER THE REIT RULES AND WE COULD LOSE OUR REIT STATUS.

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary made a loan to Vibra in an aggregate amount of approximately $41.4 million to acquire the operations at the Vibra Facilities. Our taxable REIT subsidiary also made a loan of approximately $6.2 million to Vibra and its subsidiaries for working capital purposes, which has been paid in full. The acquisition loan bears interest at an annual rate of 10.25%. Our operating partnership loaned the funds to our taxable REIT subsidiary to make these loans. The loan from our operating partnership to our taxable REIT subsidiary bears interest at an annual rate of 9.25%.

The Internal Revenue Service, or IRS, may take the position that the loans to Vibra should be treated as equity interests in Vibra rather than debt, and that our rental income from Vibra should not be treated as qualifying income for purposes of the REIT gross income tests. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a "related party tenant" with respect to our company and the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross income tests. As a result, we could lose our REIT status. In addition, if the IRS were to successfully treat the loans to Vibra as interests held by our operating partnership rather than by our taxable REIT subsidiary and to treat the loans as other than straight debt, we would fail the 10% asset test with respect to such interests and, as a result, could lose our REIT status, which would subject us to corporate level income tax and adversely affect our ability to make distributions to our stockholders.

RISKS RELATING TO THIS OFFERING

THERE IS CURRENTLY NO PUBLIC MARKET FOR OUR COMMON STOCK, AND AN ACTIVE TRADING MARKET FOR OUR COMMON STOCK MAY NEVER DEVELOP FOLLOWING THIS OFFERING.

There has not been any public market for our common stock prior to this offering. We have applied to list our common stock on the NYSE in connection with this offering, but even if our shares are approved for listing, an active trading market for our common stock may never develop or be sustained. The last trade of our common stock on The Portal(SM) Market, a subsidiary of The Nasdaq Stock Market, Inc. which permits secondary sales of eligible securities to qualified institutional buyers in accordance with Rule 144A under the Securities Act, occurred on May 25, 2005 at a price of $10.05 per share. Individuals and institutions that sell our common stock are not obligated to report their sales to The Portal(SM) Market. Therefore, the last sales price that was reported on The Portal(SM) Market may not be reflective of sales of our common stock that have occurred and were not reported and may not be indicative of the prices at which our shares of common stock will trade after this offering.

THE MARKET PRICE AND TRADING VOLUME OF OUR COMMON STOCK MAY BE VOLATILE FOLLOWING THIS OFFERING.

Even if an active trading market develops for our common stock after this offering, the market price of our common stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the initial public offering price.

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

- actual or anticipated variations in our quarterly operating results or distributions;

- changes in our funds from operations or earnings estimates or publication of research reports about us or the real estate industry;

- increases in market interest rates that lead purchasers of our shares of common stock to demand a higher yield;

- changes in market valuations of similar companies;

- adverse market reaction to any increased indebtedness we incur in the future;

- additions or departures of key management personnel;

- actions by institutional stockholders;

- speculation in the press or investment community; and

- general market and economic conditions.

BROAD MARKET FLUCTUATIONS COULD NEGATIVELY IMPACT THE MARKET PRICE OF OUR COMMON STOCK.

In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies' operating performances. These broad market fluctuations could reduce the market price of our common stock. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations, which could lead to a material decline in the market price of our common stock.

COMMON STOCK ELIGIBLE FOR FUTURE SALE MAY HAVE ADVERSE EFFECTS ON OUR STOCK PRICE.

We cannot predict the effect, if any, of future sales of common stock, or the availability of shares for future sales, on the market price of our common stock. Sales of substantial amounts of common stock, or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock. In addition, under a registration rights agreement, we have granted holders of the 25,300,000 shares of our common stock issued in our April 2004 private placement the right to have their shares registered for resale under the Securities Act. If any or all of these holders sell a large number of securities in the public market, the sale could reduce the trading price of our common stock and could impede our ability to raise future capital. We also may issue from time to time additional common stock or units of our operating partnership in connection with the acquisition of facilities and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common stock or the perception that these sales could occur may adversely effect the prevailing market price for our common stock. In addition, the sale of these shares could impair our ability to raise capital through a sale of additional equity securities.

YOU SHOULD NOT RELY ON THE UNDERWRITERS' LOCK-UP AGREEMENTS TO LIMIT THE NUMBER OF SHARES OF COMMON STOCK SOLD INTO THE MARKET.

All of our directors and executive officers, subject to limited exceptions, have agreed to be bound by lock-up agreements that prohibit these holders from selling or otherwise disposing of any of our common stock or securities convertible into our common stock that they own or acquire for 180 days after the date of this prospectus. In addition, the underwriters will require that all of our stockholders other than our executive officers and directors not sell or otherwise dispose of any of the shares of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus and are not selling in this offering until 60 days after the date of this prospectus, subject to limited exceptions. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters, may, in its discretion, release all or any portion of the common stock subject to the lock-up agreements with our directors and executive officers, at any time and without notice or stockholder approval, in which case our other stockholders would also be released from the restrictions under the registration rights agreement. There are no present agreements between the underwriters and us or any of our executive officers, directors or stockholders releasing them or us from these lock-up agreements. However, we cannot predict the circumstances or timing under which Friedman, Billings, Ramsey & Co., Inc. may waive these restrictions.

If the restrictions under the lock-up agreements and the registration rights agreement are waived or terminated, up to approximately 25.6 million shares of our common stock will be available for sale into the market, subject only to applicable securities rules and regulations, which could reduce the market price for our common stock.

AN INCREASE IN MARKET INTEREST RATES MAY HAVE AN ADVERSE EFFECT ON THE MARKET PRICE OF OUR SECURITIES.

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

IF YOU PURCHASE COMMON STOCK IN THIS OFFERING, YOU WILL EXPERIENCE IMMEDIATE DILUTION.

We expect the initial public offering price of our common stock to be higher than the book value per share of our outstanding common stock. Assuming that the common stock sold in this offering is sold at $11.00 per share, if you purchase common stock in this offering, you will experience immediate dilution of approximately $2.08 in net tangible book value per share. This means that investors who purchase our common stock in this offering:

- will likely pay a price per share that exceeds the book value of our assets after subtracting our liabilities; and

- will have contributed, in the aggregate, approximately 32.9% of our funding since inception but will own only 30.1% of our fully diluted equity interests.

OUR ENGAGEMENT AGREEMENT WITH FRIEDMAN, BILLINGS, RAMSEY & CO., INC. MAY PRECLUDE US FROM ENGAGING INVESTMENT BANKING FIRMS OTHER THAN FRIEDMAN, BILLINGS, RAMSEY & CO., INC. UNTIL APRIL 7, 2006 FOR FUTURE FINANCING AND OTHER STRATEGIC TRANSACTIONS, AND FRIEDMAN, BILLINGS, RAMSEY & CO., INC., TOGETHER WITH ITS AFFILIATES, OWNS APPROXIMATELY 10.9% OF OUR COMMON STOCK AND IS CURRENTLY OUR LARGEST STOCKHOLDER; THEREFORE, FRIEDMAN, BILLINGS, RAMSEY & CO., INC. HAS INTERESTS IN THIS OFFERING OTHER THAN UNDERWRITING DISCOUNTS AND COMMISSIONS.

Friedman, Billings, Ramsey & Co., Inc. has an interest in the successful completion of this offering beyond the underwriting discounts and commissions it will receive. Friedman, Billings, Ramsey Group, Inc., Friedman Billings Ramsey Group, Inc., the parent of Friedman, Billings, Ramsey & Co., Inc., together with its affiliates, is currently our largest stockholder, owning approximately 10.9% of our common stock outstanding prior to completion of this offering. In addition, on November 13, 2003, we entered into an engagement letter agreement with Friedman, Billings, Ramsey & Co., Inc. The engagement letter gives Friedman, Billings, Ramsey & Co., Inc., the right to serve in the following capacities until April 7, 2006:

- as our financial advisor with respect to any future mergers, acquisitions or other business combinations;

- as the sole book running and lead underwriter or sole placement agent in connection with any public or private offering of equity or any public offering of debt securities; and

- as our agent in connection with the exercise of our warrants or options, other than warrants or options held by management or by Friedman, Billings, Ramsey & Co., Inc.

Our engagement letter with Friedman, Billings, Ramsey & Co., Inc. may preclude us until April 7, 2006 from using competing investment banks or financial advisors for many financial and strategic transactions. Accordingly, in planning and completing some transactions, including public offerings of our stock, we may not be able to utilize the services of competitors of Friedman, Billings, Ramsey & Co., Inc. and thereby obtain pricing, distribution and other benefits that we otherwise could and we may be dependent on the ability of Friedman, Billings, Ramsey & Co., Inc. to execute certain financing and other strategic transactions on our behalf. As a result of Friedman Billings Ramsey Group, Inc.'s position as a large holder of our common stock, Friedman, Billings, Ramsey & Co., Inc. will have an interest in the successful completion of this offering beyond underwriting discounts and commissions it will receive. Although not required under the Conduct Rules of the National Association of Securities Dealers, Inc., this offering is being made using a "qualified independent underwriter" as contemplated by Rule 2720(b)(15) of the Conduct Rules of the National Association of Securities Dealers, Inc. J.P. Morgan Securities Inc. has assumed the responsibilities of acting as a qualified independent underwriter. In this role, J.P. Morgan Securities Inc. performed a due diligence investigation of us and participated in the preparation of this prospectus and the registration statement of which this prospectus is a part. The initial public offering price of the shares of common stock will be no higher than the price recommended by J.P. Morgan Securities Inc.

A WARNING ABOUT FORWARD LOOKING STATEMENTS

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

- our business strategy;

- our projected operating results;

- our ability to acquire or develop net-leased facilities;

- availability of suitable facilities to acquire or develop;

- our ability to enter into, and the terms of, our prospective leases;

- our ability to use effectively the proceeds of this offering;

- our ability to obtain future financing arrangements;

- estimates relating to, and our ability to pay, future distributions;

- our ability to compete in the marketplace;

- market trends;

- projected capital expenditures; and

- the impact of technology on our facilities, operations and business.

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

- the factors referenced in this prospectus, including those set forth under the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations;" "Our Business" and "Our Portfolio;"

- general volatility of the capital markets and the market price of our common stock;

- changes in our business strategy;

- changes in healthcare laws and regulations;

- availability, terms and development of capital;

- availability of qualified personnel;

- changes in our industry, interest rates or the general economy; and

- the degree and nature of our competition.

When we use the words "believe," "expect," "may," "potential," "anticipate," "estimate," "plan," "will," "could," "intend" or similar expressions, we are identifying forward-looking statements. You should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The safe harbor protections provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not apply to the forward-looking statements contained in this prospectus.

USE OF PROCEEDS

We expect to receive net proceeds from the sale of the shares of common stock offered by this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, of approximately $113.3 million. If the underwriters exercise their over-allotment option in full, we expect to receive net proceeds of approximately $131.8 million. We expect to use the net proceeds as follows:

- approximately $64.0 million to fund the development of a community hospital in Houston, Texas;

- approximately $38.0 million to fund the development of a women's hospital and integrated medical office building in Bensalem, Pennsylvania that we have under contract;

- approximately $3.3 million to fund a portion of the development costs of a community hospital in Bloomington, Indiana that we have under letter of commitment; and

- approximately $8.0 million to fund a mortgage loan to Hammond Properties pursuant to a letter of commitment.

Net proceeds of the offering that we allocate to our pending development facilities will be applied over time according to the terms of development agreements we expect to enter into as described in this prospectus. We cannot assure you that we will complete these transactions on the terms described or at all. See "Our Portfolio -- Our Pending Acquisitions and Developments" for a discussion of the conditions with respect to these transactions. Pending these uses, we intend to invest the net offering proceeds in interest-bearing, short-term marketable investment grade securities or money-market accounts that are consistent with our intention to qualify as a REIT. These investments may include, for example, government and government agency securities, certificates of deposit, interest-bearing bank deposits and mortgage loan participations.

CAPITALIZATION

The following table sets forth:

- our actual capitalization as of March 31, 2005; and

- our pro forma capitalization, as adjusted to give effect to the sale of shares of common stock in this offering at an assumed public offering price of $11.00 per share and our declaration of a distribution of $0.16 per share of common stock on May 19, 2005, which is payable on July 14, 2005 to stockholders of record on June 20, 2005.

	AS OF MARCH 31, 2005	
	HISTORICAL	PRO FORMA, AS ADJUSTED
LONG TERM DEBT	$ 74,141,667	$ 74,141,667
MINORITY INTERESTS	1,762,500	1,762,500
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $0.001 par value, 100,000,000 shares authorized; 26,082,862 shares issued and outstanding at March 31, 2005; 37,635,862 shares issued and outstanding, as adjusted	26,083	37,636(1)
Additional paid in capital	233,701,690	349,022,087
Accumulated deficit	(1,233,510)	(7,487,888)
Total stockholders' equity	232,494,263	341,571,835
Total capitalization	$308,398,430	$417,476,002

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(1) Includes 106,000 shares of restricted common stock to be awarded upon completion of this offering and 82,000 shares of restricted common stock awarded to our employees in April 2005 under our equity incentive plan. Excludes (i) 1,810,023 shares of common stock that may be issued by us upon exercise of the underwriters' overallotment option; (ii) 100,000 shares of common stock issuable upon the exercise of stock options granted to our independent directors under our equity incentive plan, one-third of which are vested; (iii) 35,000 shares of common stock issuable upon the exercise of a vested warrant granted to an unaffiliated third party; (iv) 5,000 shares of common stock issuable in October 2007 and 7,500 shares of common stock issuable in March 2008 pursuant to deferred stock units awarded under our equity incentive plan to our independent directors and (v) 490,680 shares of common stock available for future awards under our equity incentive plan.

DILUTION

NET TANGIBLE BOOK VALUE

As of March 31, 2005, we had a net tangible book value of approximately $222.3 million, or approximately $8.52 per share. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities and total minority interests, divided by the number of shares of our common stock outstanding.

DILUTION AFTER THIS OFFERING

Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the net tangible book value per share of common stock immediately after this offering and the application of the estimated net offering proceeds. After giving effect to:

- the sale of the common stock offered by us under this prospectus at an assumed initial public offering price of $11.00 per share, and our receipt of approximately $113.3 million in net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us;

- the issuance of 82,000 shares of restricted common stock to our employees in April 2005;

- the issuance of 106,000 shares of restricted stock to our senior management team upon completion of this offering;

- the issuance of 100,000 shares of common stock issuable upon the exercise of outstanding stock options granted to our independent directors and 35,000 shares of common stock issuable upon the exercise of a warrant granted to an unaffiliated third party; and

- the issuance of 12,500 shares of common stock underlying deferred stock units awarded to our independent directors,

our pro forma net tangible book value as of March 31, 2005 would have been approximately $335.5 million (includes the proceeds to be received from the exercise of options for common stock), or $8.92 per share of common stock. This amount represents an immediate increase in net tangible book value of $.44 per share to existing stockholders prior to this offering and an immediate dilution in pro forma net tangible book value of $2.08 per share to investors in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$11.00
Net tangible book value per share as of March 31, 2005(1)	8.52	
Increase in pro forma net tangible book value per share to existing stockholders attributable to this offering(2)	.44	
Decrease in pro forma net tangible book value per share to existing stockholders attributable to the issuance of restricted stock	(.04)	
Change in pro forma net tangible book value per share to existing stockholders attributable to the exercise of stock options, deferred stock units and warrant	.00	
Pro forma net tangible book value per share after this offering(3)		8.92
Dilution in pro forma net tangible book value per share to new investors(4)		$ 2.08

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(1) Net tangible book value per share of common stock is determined by dividing net tangible book value as of March 31, 2005 (net book value of the tangible assets consisting of total assets less accrued rental income, intangible assets, and deferred costs) by the number of shares of common stock outstanding prior to the offering.

(2) After deducting the underwriting discount and other expenses of this offering.

(3) Based on pro forma net tangible book value attributable to common stockholders of approximately $335.5 million divided by the sum of 37,447,862 shares of our common stock to be outstanding, the issuance of 106,000 shares of restricted stock, the issuance of 135,000 shares of common stock issuable upon the exercise of outstanding stock options and warrants, the issuance of 12,500 shares of common stock underlying deferred stock units awarded to our independent directors and the issuance of 82,000 shares of restricted common stock awarded to our employees.

(4) Dilution is determined by subtracting (i) pro forma net tangible book value per share of our common stock after giving effect to this offering and the application of the net proceeds therefrom from (ii) the initial public offering price per share paid by a new investor in this offering.

DIFFERENCES BETWEEN NEW AND EXISTING STOCKHOLDERS IN NUMBER OF SHARES AND AMOUNT PAID

The table below summarizes, as of March 31, 2005, on the pro forma basis discussed above but excluding options and warrants to purchase 135,000 shares of common stock that will be outstanding upon completion of this offering, the differences between the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing stockholders and by the new investors purchasing common stock in this offering. The options and warrants described in the preceding sentence are exercisable at a weighted average exercise price of $9.82 per share and will remain outstanding upon the completion of this offering. To the extent that these outstanding options are exercised in the future, there will be further dilution to new investors. We used an assumed initial public offering price of $11.00 per share, and we have not deducted estimated underwriting discounts and commissions and estimated offering expenses in our calculations.

	SHARES ISSUED		TOTAL CONSIDERATION		
	NUMBER	PERCENTAGE	AMOUNT	PERCENTAGE	PER SHARE
Existing stockholders......	26,082,862	70%	$251,870,968	64%	$ 9.56
New investors in the offering.................	11,365,000	30%	125,015,000	36%	$11.00
Total......................	37,447,862	100%	$376,885,968	100%	

DISTRIBUTION POLICY

We intend to make regular quarterly distributions to our stockholders so that we distribute each year all or substantially all of our REIT taxable income, if any, so as to avoid paying corporate level income tax and excise tax on our REIT income and to qualify for the tax benefits accorded to REITs under the Code. In order to qualify as a REIT, we must distribute to our stockholders an amount at least equal to 90% of our REIT taxable income, excluding net capital gain. See "United States Federal Income Tax Considerations." The distributions will be authorized by our board of directors and declared by us based upon a number of factors, including:

- our actual results of operations;

- the rent received from our tenants;

- the ability of our tenants to meet their other obligations under their leases and their obligations under their loans from us;

- debt service requirements;

- capital expenditure requirements for our facilities;

- our taxable income;

- the annual distribution requirement under the REIT provisions of the Code; and

- other factors that our board of directors may deem relevant.

To the extent not inconsistent with maintaining our REIT status, we may retain accumulated earnings of our taxable REIT subsidiaries in those subsidiaries. Our ability to make distributions to our stockholders will depend on our receipt of distributions from our operating partnership.

The table below is a summary of our distributions. We cannot assure you that we will have cash available for future quarterly distributions at these levels, or at all. See "Risk Factors."

DECLARATION DATE	RECORD DATE	DATE OF DISTRIBUTION	DISTRIBUTION PER SHARE OF COMMON STOCK
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
September 2, 2004	September 16, 2004	October 11, 2004	$0.10

The two distributions declared in 2004, aggregating $0.21 per share, were comprised of approximately $0.13 per share in ordinary income and $0.08 per share in return of capital. For federal income tax purposes, our distributions were limited in 2004 to our tax basis earnings and profits of $0.13 per share. Accordingly, for tax purposes, $0.08 per share of the distributions we paid in January 2005 will be treated as a 2005 distribution; the tax character of this amount, along with that of the April 15, 2005 and July 14, 2005 distributions, will be determined subsequent to determination of our 2005 taxable income.

SELECTED FINANCIAL INFORMATION

You should read the following pro forma and historical information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical and pro forma consolidated financial statements and related notes thereto included elsewhere in this prospectus.

The following table sets forth our selected financial and operating data on an historical and pro forma basis. Our selected historical balance sheet information as of December 31, 2004, and the historical statement of operations and other data for the year ended December 31, 2004, have been derived from our historical financial statements audited by KPMG LLP, independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The historical balance sheet information as of March 31, 2005 and the historical statement of operations and other data for the three months ended March 31, 2005 have been derived from our unaudited historical balance sheet as of March 31, 2005 and from our unaudited statement of operations for the three months ended March 31, 2005 included elsewhere in this prospectus. The unaudited historical financial statements include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation of our financial condition and results of operations as of such dates and for such periods under accounting principles generally accepted in the U.S.

The unaudited pro forma consolidated balance sheet data as of March 31, 2005, are presented as if completion of this offering and completion of our probable acquisitions had occurred on March 31, 2005.

The unaudited pro forma consolidated statement of operations and other data for the three months ended March 31, 2005 are presented as if our acquisition of the Desert Valley Facility, the Covington Facility and the Redding Facility, completion of this offering and completion of our probable acquisitions had occurred on January 1, 2005, and our December 31, 2004 unaudited pro forma consolidated statement of operations are presented as if our acquisition of the current portfolio of facilities (the six Vibra Facilities, the Desert Valley Facility, the Covington Facility and the Redding Facility), our making of the Vibra loans, completion of this offering and completion of our probable acquisitions had occurred on January 1, 2004. The pro forma information does not give effect to any of our facilities under development or probable development transactions. The pro forma information is not necessarily indicative of what our actual financial position or results of operations would have been as of the dates or for the periods indicated, nor does it purport to represent our future financial position or results of operations.

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OPERATING INFORMATION:				
Revenues				
Rent income	$ 7,234,712	$ 5,268,490	$27,360,679	$ 8,611,344
Interest income from loans	1,212,038	1,212,038	5,037,049	2,282,115
Total revenues	8,446,750	6,480,528	32,397,728	10,893,459
Operating expenses				
Depreciation and amortization	1,268,203	842,407	5,072,811	1,478,470
General and administrative	1,698,249	1,698,249	5,057,284	5,057,284
Total operating expenses	3,019,013	2,593,217	10,902,444	7,214,601
Operating income	5,427,737	3,887,311	21,495,284	3,678,858
Net other income (expense)	(327,377)	(327,377)	897,491	897,491
Net income	5,100,360	3,559,934	22,392,775	4,576,349
Net income per share, basic and diluted	0.14	0.14	0.73	0.24
Weighted average shares outstanding -- basic	37,652,195	26,099,195	30,863,833	19,310,833
Weighted average shares outstanding -- diluted	37,656,259	26,103,159	30,865,634	19,312,634

	AS OF MARCH 31, 2005		AS OF DECEMBER 31, 2004
	PRO FORMA	HISTORICAL	HISTORICAL
BALANCE SHEET INFORMATION:			
Gross investment in real estate assets............	$240,664,624	$192,129,624	$151,690,293
Net investment in real estate....................	238,343,747	189,808,747	150,211,823
Construction in progress..........................	36,757,429	36,757,429	24,318,098
Cash and cash equivalents.........................	139,726,712	82,053,255	97,543,677
Loans receivable.................................	42,498,111	42,498,111	50,224,069(1)
Total assets.....................................	432,512,536	326,304,079	306,506,063
Total debt.......................................	74,141,667	74,141,667	56,000,000
Total liabilities................................	89,178,201	92,047,316	73,777,619
Total stockholders' equity.......................	341,571,835	232,494,263	231,728,444
Total liabilities and stockholders' equity........	432,512,536	326,304,079	306,506,063

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
OTHER INFORMATION:				
Funds from operations(2)...............	$6,368,563	$ 4,402,341	$27,465,586	$ 6,054,819
Cash Flows:				
Provided by operating activities.....		1,643,836		9,918,898
Used for investing activities........		(32,729,071)		(195,600,642)
Provided by financing activities.....		15,594,813		283,125,421

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(1) Includes $1.5 million in commitment fees payable to us by Vibra.

(2) Funds from operations, or FFO, represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Management considers funds from operations a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that funds from operations provides a meaningful supplemental indication of our performance. We compute funds from operations in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating funds from operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. Funds from operations should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity.

The following table presents a reconciliation of FFO to net income for the three months ended March 31, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
FUNDS FROM OPERATIONS:				
Net income	$5,100,360	$3,559,934	$22,392,775	$4,576,349
Depreciation and amortization	1,268,203	842,407	5,072,811	1,478,470
Funds from operations	$6,368,563	$4,402,341	$27,465,586	$6,054,819

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We were recently formed and did not commence revenue generating operations until June 2004. Please see "Risk Factors -- Risks Relating to Our Business and Growth Strategy" for a discussion of risks relating to our limited operating history. The following discussion should be read in conjunction with our audited financial statements and the related notes thereto included elsewhere in this prospectus.

OVERVIEW

We were incorporated under Maryland law on August 27, 2003 primarily for the purpose of investing in and owning net-leased healthcare facilities. 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 conduct substantially all of our operations through our operating partnership. We own all of the membership interests in the sole general partner of our operating partnership and thereby control the operating partnership. At present, we also own 100% of the limited partnership interests, although we may issue units of limited partnership in exchange for interests in healthcare facilities from time to time in the future. Sellers of healthcare facilities who receive limited partnership units of our operating partnership in exchange for interests in their facilities may be able to defer recognition of any gain that would be recognized in a cash sale until such time that they redeem the operating partnership units. Upon their election to redeem their units, we may redeem them either for cash or shares of our common stock on a one-for-one basis. In addition, we may sell equity interests in subsidiaries of our operating partnership in connection with the acquisition or development of facilities.

Whenever we issue shares of our common stock for cash, we are obligated to contribute any net proceeds we receive from the sale of the stock to our operating partnership and our operating partnership is, in turn, obligated to issue an equivalent number of limited partnership units to us. Our operating partnership distributes the income it generates from its operations to us. In turn, we expect to distribute a substantial majority of the amounts we receive from our operating partnership to our stockholders in the form of quarterly cash distributions. We intend to qualify as a REIT for federal tax purposes, thereby generally avoiding federal and state corporate income taxes on most of the earnings that we distribute to our stockholders.

We conduct business operations in one segment. We acquire and develop healthcare facilities and lease the facilities to healthcare operating companies under long-term net leases. At December 31, 2004 our real estate and loan assets comprised approximately 49% and 16%, respectively, of our total assets. We do not expect our loan assets to exceed this level in the future. Our lending business is important to 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.

We currently own four rehabilitation hospitals, two long-term acute care hospitals and a community hospital that are leased to a single operating company, one community hospital with an integrated medical office building leased to another operating company and one long-term acute care hospital leased to another operating company. We are also developing a community hospital and an adjacent medical office building that are leased to a single operating company. In addition, we have entered into a ground sublease with, and an agreement to provide a construction loan to, a recently organized healthcare facility operator for the development of a community hospital on property in which we currently have a ground lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, we will have a right to acquire the facility for an amount equal to the cost of construction and lease the facility to the operator. In the event we do not exercise our right to purchase the facility, we expect that our construction loan will convert to a 15 year term loan secured by the facility. We have also made and in the future may make loans to our tenants to facilitate the acquisition of healthcare businesses and for working capital and have made and from time to time may make construction or mortgage loans to facility owners or other parties.

Our revenues are derived from rents we earn pursuant to the lease agreements we have with our tenants and from interest income from loans we make 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 in 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, commercial insurance, and private pay patients;

- 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 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.

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 it 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.

DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes known material contractual obligations associated with investing and financing activities as of March 31, 2005:

CONTRACTUAL OBLIGATIONS	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS	TOTAL
Construction contracts	$26,810,580	$ --	$ --	$ --	$ 26,810,580
Operating lease commitments	306,045	689,022	715,374	2,041,936	3,752,377
Long-term debt	3,750,000	70,391,667	--	--	74,141,667
Total:	$30,866,625	$71,080,689	$715,374	$2,041,936	$104,704,624

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 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 our 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 for the three months ended March 31, 2005 and for the year ended December 31, 2004 on an actual and pro forma basis.

	FOR THE THREE MONTHS ENDED MARCH 31, 2005		FOR THE YEAR ENDED DECEMBER 31, 2004	
	PRO FORMA	HISTORICAL	PRO FORMA	HISTORICAL
Funds from operations:				
Net income	$5,100,360	$3,559,934	$22,392,775	$4,576,349
Depreciation and amortization	1,268,203	842,407	5,072,811	1,478,470
Funds from operations	$6,368,563	$4,402,341	$27,465,586	$6,054,819

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2005 AND MARCH 31, 2004

Net income for the three months ended March 31, 2005 was $3,559,934 compared to a net loss of $493,726 for the three months ended March 31, 2004.

Three Months Ended March 31, 2005: Revenue of $6,480,528 was comprised of rents (81%) and interest from loans (19%). During this quarter, we received percentage rents from Vibra of approximately $395,000. These percentage rents occurred due to an increase in patient census at the Vibra Facilities from the three months ended December 31, 2004 to the three months ended March 31, 2005. The higher census figures at the Vibra Facilities produced increased revenue which exceeded the thresholds on which percentage rent are based. Also, we acquired the Desert Valley Facility during the quarter, which added to our rent revenue. Interest income from loans decreased due to Vibra repaying one of its loans from us.

Depreciation and amortization during the first quarter of 2005 are primarily attributable to the Vibra Facilities. The Desert Valley Facility contributed one month of depreciation and amortization during the quarter.

Property expenses are comprised primarily of a ground lease payment on our rehabilitation hospital located in Marlton, New Jersey.

General and administrative expenses during the quarter, which totaled $1,698,249, were comprised primarily of executive compensation of approximately $1.0 million, with the balance made up primarily of legal, office and other administrative expenses. During the three months ended March 31, 2005, we had 16 full-time employees and one part-time employee.

Other income of $383,772 consisted of interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement and borrowings from Merrill Lynch Capital in mutual funds and other interest-bearing accounts.

Interest expense from the borrowings under our Merrill Lynch Capital loan during the three months ended March 31, 2005 totaled $711,149. Capitalized interest of approximately $395,000 was recorded in the three months ended March 31, 2005 for the construction of the West Houston Facilities.

Three Months Ended March 31, 2004: The loss in 2004 preceded our April 2004 private placement and covered a period during which we incurred administrative costs consisting primarily of executive compensation expenses. At March 31, 2004, we had five employees, four of whom were executive officers. We had no operating properties and no development properties. Our activities in the first quarter of 2004 were concentrated in evaluating potential acquisitions and planning for the April 2004, private placement. Due to the lack of operations in the first quarter of 2004, there is limited comparability to the results for the same period in 2005.

YEAR ENDED DECEMBER 31, 2004

Net income for the year ended December 31, 2004 was $4,576,349. Revenue, which was $10,893,459, was comprised primarily of rents (79%) and interest from loans (21%). Interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement, totaled $930,260. We completed our private placement of common stock in April 2004 and received proceeds, net of offering costs and fees, of approximately $233.5 million. Expenses during the year, which totalled $7,214,601, were comprised primarily of compensation of $3,700,442, depreciation and amortization of $1,517,530, other general and administrative expenses of $1,336,897 and approximately $585,345 of costs associated with unsuccessful acquisitions. These costs, which consisted primarily of legal fees, costs of third party reports and travel, related to a portfolio of five facilities that were subject to a letter of intent with a prospective operator. During the second quarter of 2004, we declined to pursue the acquisition.

INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003

Our net loss for the period from inception (August 27, 2003) through December 31, 2003 was $1,023,276. Included in this loss is approximately $423,000 in accrued expenses that were incurred by Medical Properties Trust, LLC prior to August 27, 2003 and assumed by us in connection with our formation. These constitute all of the expenses of this company. We had no revenues during this period and substantially all of the expenses that comprised our net loss from inception through December 31, 2003 are related to start-up activities, including business development, identification of acquisition possibilities, legal, accounting, and consulting. We do not consider the results of our operations in this period to be meaningful with respect to an analysis of our expected operations.

LIQUIDITY AND CAPITAL RESOURCES

Our long-term liquidity requirements consist primarily of funds to pay the costs of acquiring and developing facilities and making distributions to our stockholders. We believe that our existing cash and cash equivalents, together with the net proceeds from this offering, cash flow from operations and borrowings under our Merrill Lynch and Colonial Bank loans, will be sufficient to acquire the Pending Acquisition and Development Facilities and to fund our cash requirements during the next 12 months. The Vibra Facilities serve as collateral for our current indebtedness.

We received approximately $233.5 million, net of offering costs and fees, from our April 2004 private placement. We have acquired and committed to develop healthcare facilities with an aggregate estimated cost of $387.3 million and have provided approximately $41.4 million in acquisition financing to one of our tenants. As of March 31, 2005, we had stockholders' equity of approximately $232.5 million, including approximately $82.0 million in cash and cash equivalents.

Our sources of funds for future acquisitions and developments will primarily be our uncommitted cash balances, the net proceeds of this offering, operating cash flows and borrowings. We intend to use these cash resources in the acquisition and development of our Pending Acquisition and Development Facilities and to pay our operating expenses for the foreseeable future. To maintain our status as a REIT under the Code, we must distribute annually at least 90% of our taxable income. These distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for acquisitions, developments and operations. However, we believe that our current access to financings will provide us with financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new acquisition and development opportunities.

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.

We borrowed $75 million from Merrill Lynch under a loan agreement with a term of three years for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (3.24% at June 15, 2005) plus 300 basis points. We had $74.1 million outstanding under this loan as of March 31, 2005. The term loan is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants.

We have executed a term sheet with Merrill Lynch Capital providing for a senior secured revolving credit facility of up to $100.0 million with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. During the term of the loan, we will have the right to increase the amount available under the facility by an amount up to $75.0 million, subject to no event of default continuing or occurring at the time of such increase. The facility will initially be secured by our interests in the Vibra Facilities, or the borrowing base properties. The maximum availability under the facility will be equal to 65% of the collateral value of the borrowing base properties. The facility will bear interest at one month LIBOR plus up to 275 basis points depending on the amount of the facility leveraged. We expect the facility with Merrill Lynch to include financial covenants requiring us to maintain a maximum total leverage ratio (ratio of consolidated indebtedness to gross asset value) of 65%, a minimum consolidated fixed charge coverage ratio of 1.65 to 1 and to maintain minimum tangible net worth equal to $200 million plus 75% of net proceeds from any additional equity issuances. Execution of this credit facility is subject to Merrill Lynch's underwriting and credit approval and completion of acceptable legal documentation. Accordingly, we cannot assure you that we will enter into this facility on these terms, or at all.

We have also entered into construction loan agreements with Colonial Bank pursuant to which we can borrow up to $43.4 million to fund construction costs for our West Houston Facilities. Each construction loan has a term of 18 months and an option on our part to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The construction loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities. The terms of the construction loan agreements require us to comply with a financial ratio relating to debt coverage. The construction loans bear interest at one month LIBOR plus 225 basis points, during the construction period and one month LIBOR plus 250 basis points, thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this prospectus, we have made no borrowings under the Colonial Bank loans.

Any other indebtedness we incur will likely be subject to continuing covenants, and we will likely be required to make continuing representations and warranties in connection with that debt. Moreover, some or all of our debt may be secured by some or all of our assets. If we default in the payment of interest or principal on any of our debt, breach any representation or warranty in connection with any borrowing or violate any covenant in any loan document, the lender may accelerate the maturity of the debt requiring us to immediately repay all outstanding principal and accrued interest. If we are unable to make the payment, our lender could foreclose on our assets that are pledged as collateral to the lender. The lender could also sue us or force us into bankruptcy. Any of these events would likely have a material adverse effect on the value of an investment in our common stock.

Our real estate investments, like most commercial real estate investments, are relatively illiquid and our ability to sell one or more of our properties quickly and on favorable terms may be limited by a variety of factors beyond our control, including current market conditions, the cost and availability of debt financing, zoning and regulatory changes, and the need for capital improvements. Moreover, the length of our lease agreements, the specialized nature of our tenants' operations and the resulting design of our facilities and the risk that the nature and profitability of our tenants' operations may be affected by healthcare regulations may further impact the liquidity of our facilities.

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. See "United States Federal Income Tax Considerations."

The table below is a summary of our distributions.

DECLARATION DATE	RECORD DATE	DATE OF DISTRIBUTION	DISTRIBUTION PER SHARE
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
September 2, 2004	September 16, 2004	October 11, 2004	$0.10

The two distributions declared in 2004, aggregating $0.21 per share, were comprised of approximately $0.13 per share in ordinary income and $0.08 per share in return of capital. For federal income tax purposes, our distributions were limited in 2004 to our tax basis earnings and profits of $0.13 per share. Accordingly, for tax purposes, $0.08 per share of the distributions we paid in January 2005 will be treated as a 2005 distribution; the tax character of this amount, along with that of the April 15, 2005 and July 14, 2005 distributions, will be determined subsequent to determination of our 2005 taxable income.

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.

INFLATION

Our leases contain provisions designed to mitigate the adverse impact of inflation. These provisions generally increase rental rates during the terms of the leases either at fixed rates or indexed escalations (based on the CPI or other measures). In addition, all of our existing leases, and we intend that most of our new leases will, require the tenant to pay the operating expenses of the facility, including common area maintenance costs, real estate taxes and insurance. This may reduce our exposure to increases in costs and operating expenses resulting from inflation. However, if inflation rates exceed the contractual rental increases, our results of operations may be adversely affected, and inflation may also adversely impact our revenue from any leases that do not contain escalation provisions.

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.

We may be exposed to the effects of interest rate changes primarily as a result of long-term debt used to maintain liquidity and to fund expansion of our portfolio and operations. Our interest rate risk-management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we will borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. We may also enter into derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on a related financial instrument. We do not intend to enter into derivative transactions for speculative purposes.

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.

OUR BUSINESS

OUR COMPANY

We are a self-advised real estate company that acquires, develops and leases healthcare facilities providing state-of-the-art healthcare services. We lease our facilities to healthcare operators pursuant to long-term net-leases, which require the tenant to bear most of the costs associated with the property. From time to time, we also make loans to our tenants. We believe that the United States healthcare delivery system is becoming decentralized and is evolving away from the traditional "one stop," large-scale acute care hospital. We believe that this change is the result of a number of trends, including increasing specialization and technological innovation and the desire of both physicians and patients to utilize more convenient facilities. We also believe that demographic trends in the United States, including in particular an aging population, will result in continued growth in the demand for healthcare services, which in turn will lead to an increasing need for a greater supply of modern healthcare facilities. In response to these trends, we believe that healthcare operators increasingly prefer to conserve their capital for investment in operations and new technologies rather than investing in real estate and, therefore, increasingly prefer to lease, rather than own, their facilities. Given these trends and the size, scope and growth of this dynamic industry, we believe there are significant opportunities to acquire and develop net-leased healthcare facilities that are integral components of local healthcare delivery systems.

Our strategy is to lease the facilities that we acquire or develop to experienced healthcare operators pursuant to long-term net-leases. We focus on acquiring and developing rehabilitation hospitals, long-term acute care hospitals, ambulatory surgery centers, cancer hospitals, women's and children's hospitals, skilled nursing facilities and regional and community hospitals, as well as other specialized single-discipline facilities and ancillary facilities. We believe that these types of facilities will capture an increasing share of expenditures for healthcare services. We believe that our strategy for acquisition and development of these types of net-leased facilities, which generally require a physician's order for patient admission, distinguish us as a unique investment alternative among REITs.

Our management team has extensive experience in acquiring, owning, developing, managing and leasing healthcare facilities; managing investments in healthcare facilities; acquiring healthcare companies; and managing real estate companies. Our management team also has substantial experience in healthcare operations and administration, which includes many years of service in executive positions for hospitals and other healthcare providers, as well as in physician practice management and hospital/physician relations. Therefore, in addition to understanding investment characteristics and risk levels typically important to real estate investors, our management understands the changing healthcare delivery environment, including changes in healthcare regulations, reimbursement methods and patient demographics, as well as the technological innovations and other advances in healthcare delivery generally. We believe that this experience gives us the specialized knowledge necessary to select attractively-located net-leased facilities, underwrite our tenants, analyze facility-level operations and understand the issues and potential problems that may affect the healthcare industry generally and the tenant service area and facility in particular. We believe that our management's experience in healthcare operations and real estate management and finance will enable us to take advantage of numerous attractive opportunities to acquire, develop and lease healthcare facilities.

We completed a private placement of our common stock in April 2004 in which we raised net proceeds of approximately $233.5 million. Shortly after completion of our private placement, we began to acquire our current portfolio of twelve facilities, consisting of nine facilities that are in operation and three facilities that are under development. Four of the facilities that are in operation are rehabilitation hospitals, three are long-term acute care hospitals, one is a community hospital and one is a community hospital with an integrated medical office building. Two of the facilities under development are a community hospital and an adjacent medical office building. With respect to our third facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, we will have a right to acquire the facility for an amount equal to the cost of construction and lease the facility to the operator. In the event we do not exercise our right to purchase the facility, we expect our construction loan will convert to a 15 year term loan secured by the facility. With the net proceeds of this offering, along with our available cash and cash equivalents, we intend to expand our portfolio of facilities by acquiring or developing additional net-leased healthcare facilities.

We employ leverage in our capital structure in amounts determined from time to time by our board of directors. At present, we intend to limit our debt to approximately 50-60% of the aggregate costs of our facilities, although we may temporarily exceed those levels from time to time. We expect our borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans.

In December 2004 we borrowed $75.0 million from Merrill Lynch under a loan agreement which has a term of three years. We have used a portion of the loan proceeds for acquisition of our current portfolio of facilities and plan to use additional loan proceeds for acquisition and development of additional facilities and other working capital needs. The loan bears interest at one month LIBOR (3.24% at June 15, 2005) plus 300 basis points. We had $74.1 million outstanding under this loan as of March 31, 2005. The loan is secured by our interests in the Vibra Facilities. The loan with Merrill Lynch includes financial covenants requiring us to meet an interest coverage ratio (ratio of our earnings before interest, taxes, depreciation and amortization to interest expense) of 2 to 1, a fixed charge coverage ratio (ratio of earnings before interest, taxes, depreciation and amortization to the sum of total debt service, assumed capital expenditures pertaining to the Vibra Facilities, income taxes and preferred dividends) greater than 1.65 to 1, a net debt to total asset valuation ratio (ratio of total net debt to the product of nine and the sum of net income, interest expense, depreciation and amortization minus management fees not exceeding 1% of net revenue and $300 per licensed bed per annum) not greater than 70%, and, for each Vibra Facility, a base rent coverage ratio (ratio of earnings of the applicable lessee of the Vibra Facility before interest, taxes, depreciation, amortization, rent and management fees to base rent payable by the lessee) equal to or greater than 1.25 to 1 and to maintain minimum tangible net worth of at least $200 million. As of the date of this prospectus, we are in compliance with all material financial covenants under our loan with Merrill Lynch.

We have executed a term sheet with Merrill Lynch Capital providing for a senior secured revolving credit facility of up to $100.0 million with a term of four years, with one 12-month extension option, to refinance the outstanding amount under our existing loan agreement with Merrill Lynch Capital and for general corporate purposes. During the term of the loan, we will have the right to increase the amount available under the facility by an amount up to $75.0 million, subject to no event of default continuing or occurring at the time of such increase. Merrill Lynch will syndicate that increase in the amount to be available under the facility on a best efforts basis, and no lender will be required to increase its commitment to facilitate the increase in the amount available under the facility.

The facility will initially be secured by our interests in the Vibra Facilities, or the borrowing base properties. The maximum availability under the facility will be equal to 65% of the collateral value of the borrowing base properties. The facility will bear interest at one month LIBOR plus up to 275 basis points depending on the amount of the facility leveraged. We expect the facility with Merrill Lynch to include financial covenants requiring us to maintain a maximum total leverage ratio (ratio of consolidated indebtedness to gross asset value) of 65%, a minimum consolidated fixed charge coverage ratio of 1.65 to 1 and to maintain minimum tangible net worth equal to $200 million plus 75% of net proceeds from any additional equity issuances. Execution of this credit facility is subject to Merrill Lynch's underwriting and credit approval and completion of acceptable legal documentation. Accordingly, there is no assurance that we will enter into this facility on these terms, or at all.

We have also entered into construction loan agreements with Colonial Bank pursuant to which we can borrow up to $43.4 million to fund construction costs for our West Houston Facilities. Each construction loan has a term of 18 months and an option on our part to convert the loan to a 30-month term loan upon completion of construction of the West Houston Facility securing that loan. The construction loans are secured by mortgages on the West Houston Facilities, as well as assignments of rents and leases on those facilities. The terms of the construction loan agreements prevent us from allowing the net operating income of the facility used as collateral for any calendar quarter to be less than 1.25 times the principal and interest payments then due and payable under the promissory note for the designated period until the loan is paid in full. In the event that our net operating income falls below the minimum debt service requirement, we must prepay a portion of the principal balance of the promissory note so that the debt service requirement is satisfied and maintained within 10 days of our non-compliance. The construction loans bear interest at the one month LIBOR plus 225 basis points during the construction period and one month LIBOR plus 250 basis points thereafter. The Colonial Bank loans are cross-defaulted. As of the date of this prospectus, we have made no borrowings under the Colonial Bank loans.

We expect to qualify as a REIT for federal income tax purposes and will elect to be taxed as a REIT under the federal income tax laws commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004.

MARKET OPPORTUNITY

According to the United States Department of Commerce, Bureau of Economic Analysis, healthcare is one of the largest industries in the United States, and was responsible for approximately 15.3% of United States gross domestic product in 2003. Healthcare spending has consistently grown at rates greater than overall spending growth and inflation. As the chart below reflects, healthcare expenditures are projected to increase by more than 7% in 2004 and 2005 to $1.8 trillion and $1.9 trillion, respectively, and are expected to reach $3.1 trillion by 2012.

(GRAPH)

We believe that the fundamental reasons for this growth in the demand for healthcare services include the aging and growth of the United States population, the advances in medical technology and treatments, and the increase in life expectancy. As illustrated by the chart below, the projected compound annual growth rate (or CAGR), from 2000 to 2030 of the population of senior citizens is three times the rate projected for the total United States population. This demographic trend is projected to result in an increase in the percentage of United States citizens who are age 65 or older from 12.4% in 2000 to 19.6% in 2030.

(GRAPH)

Source: United States Bureau of the Census

To satisfy this growing demand for healthcare services, there is a significant amount of new construction of healthcare facilities. In 2003 alone, $24.5 billion was spent on the construction of healthcare facilities, according to CMS. This represented more than a 9% increase over the $22.4 billion in healthcare construction spending for 2002. The following chart reflects the growth and expected growth in healthcare construction expenditures over the period that began in 1990 and ends in 2012:

(GRAPH)

We believe that the United States healthcare delivery system is evolving away from reliance on the traditional "one-stop," large-scale acute care hospital to one that relies on specialty hospitals and healthcare facilities that focus on single disciplines. We believe that there will be an increasing demand for more accessible, specialized and technologically-advanced healthcare delivery services as the population grows and ages. We own and have targeted for acquisition and development net-leased healthcare facilities providing state-of-the-art healthcare services because we believe these types of facilities represent the future of healthcare delivery.

We believe that United States healthcare operators are in the early stages of a long-term evolution from a model that favors ownership of healthcare facilities to one that favors long-term net leasing of these facilities. We see two primary reasons for this:

- First, in our experience, financial arrangements such as bond financing gave non-profit healthcare providers access to inexpensive capital, usually at 100% of the building cost. However, budget constraints on local governments and tighter underwriting standards have greatly reduced the availability of this very inexpensive capital.

- Second, in our experience, healthcare providers were reimbursed on cost-based reimbursement plans (calculated in part by reference to a provider's total cost in plant and equipment) which provided no incentive for healthcare providers to make efficient use of their capital. With the evolution of the prospective payment reimbursement system, which reimburses healthcare providers for specific procedures or diagnoses and thus rewards the most efficient providers, healthcare providers are no longer assured of returns on investments in non-revenue producing assets such as the real estate where they operate. Accordingly, in recent years, healthcare providers have begun to convert their owned facilities to long-term lease arrangements thereby accessing substantial amounts of previously unproductive capital to invest in high margin operations and assets.

In summary, the following market trends have shaped our investment strategy:

- Decentralization: We believe that healthcare services are increasingly delivered through smaller, more accessible facilities that are designed for specific treatments and medical conditions and that are located near physicians and their patients. Based upon our experience, more healthcare services are delivered in specialized facilities than in acute care hospitals.

- Specialization: In our experience, the percentage of physicians and other healthcare professionals who practice in a recognized specialty or subspecialty has been increasing for many years. We believe that this creates opportunities for development of additional specialized healthcare facilities as advances in technologies and recognition of new practice specialties result in new treatments for difficult medical conditions.

- Convenient Patient Care: We believe that healthcare service providers are increasingly seeking to provide specific services in a single location for the convenience of both patients and physicians. These single-discipline centers are primarily located in suburban areas, near patients and physicians, as opposed to the traditional urban hospital setting.

- Aging Population: We believe that demographic trends in the United States, including in particular an aging population, will result in continued growth in the demand for healthcare services, which in turn will lead to an increasing need for a greater supply of modern healthcare facilities.

- Use of Capital: We believe that healthcare operators increasingly prefer to conserve their capital for investment in their operations and for new technologies rather than investing it in real estate.

OUR TARGET FACILITIES

The market for healthcare real estate is extensive and includes real estate owned by a variety of healthcare operators. We focus on acquiring and developing those net-leased facilities that are specifically designed to reflect the latest trends in healthcare delivery methods. These facilities include:

- Rehabilitation Hospitals: Rehabilitation hospitals provide inpatient and outpatient rehabilitation services for patients recovering from multiple traumatic injuries, organ transplants, amputations, cardiovascular surgery, strokes, and complex neurological, orthopedic, and other conditions. These hospitals are often the best medical alternative to traditional acute care hospitals where under the

Medicare prospective payment system there is pressure to discharge patients after relatively short stays.

- Long-term Acute Care Hospitals: Long-term acute care hospitals focus on extended hospital care, generally at least 25 days, for the medically-complex patient. Long-term acute care hospitals have arisen from a need to provide care to patients in acute care settings, including daily physician observation and treatment, before they are able to move to a rehabilitation hospital or return home. These facilities are reimbursed in a manner more appropriate for a longer length of stay than is typical for an acute care hospital.

- Regional and Community Hospitals: We define regional and community hospitals as general medical/surgical hospitals whose practicing physicians generally serve a market specific area, whether urban, suburban or rural. We intend to limit our ownership of these facilities to those with market, ownership, competitive and technological characteristics that provide barriers to entry for potential competitors.

- Women's and Children's Hospitals: These hospitals serve the specialized areas of obstetrics and gynecology, other women's healthcare needs, neonatology and pediatrics. We anticipate substantial development of facilities designed to meet the needs of women and children and their physicians as a result of the decentralization and specialization trends described above.

- Ambulatory Surgery Centers: Ambulatory surgery centers are freestanding facilities designed to allow patients to have outpatient surgery, spend a short time recovering at the center, then return home to complete their recoveries. Ambulatory surgery centers offer a lower cost alternative to general hospitals for many surgical procedures in an environment that is more convenient for both patients and physicians. Outpatient procedures commonly performed include those related to gastrointestinal, general surgery, plastic surgery, ear, nose and throat/audiology, as well as orthopedics and sports medicine.

- Other Single-Discipline Facilities: The decentralization and specialization trends in the healthcare industry are also creating demands and opportunities for physicians to practice in hospital facilities in which the design, layout and medical equipment are specifically developed, and healthcare professional staff are educated, for medical specialties. These facilities include heart hospitals, ophthalmology centers, orthopedic hospitals and cancer centers.

- Medical Office Buildings: Medical office buildings are office and clinic facilities occupied and used by physicians and other healthcare providers in the provision of outpatient healthcare services to their patients. The medical office buildings that we target generally are or will be master-leased and adjacent to or integrated with our other targeted healthcare facilities.

- Skilled Nursing Facilities: Skilled nursing facilities are healthcare facilities that generally provide more comprehensive services than assisted living or residential care homes. They are primarily engaged in providing skilled nursing care for patients who require medical or nursing care or rehabilitation services. Typically these services involve managing complex and serious medical problems such as wound care, coma care or intravenous therapy. They offer both short and long-term care options for patients with serious illness and medical conditions. Skilled nursing facilities also provide rehabilitation services that are typically utilized on a short-term basis after hospitalization for injury or illness.

UNDERWRITING PROCESS

Our real estate and loan underwriting process focuses on healthcare operations and real estate investment. This process is described in a written policy that requires, among other things, completion of specific elements of due diligence at the appropriate stages, including appraisals, engineering evaluations and environmental assessments, all provided by qualified and independent third parties. All of our executive officers are involved in the acquisition and due diligence process.

Our acquisition and development selection process includes a comprehensive analysis of the targeted healthcare facility's profitability, financial trends in revenues and expenses, barriers to competition, the need in the market for the type of healthcare services provided by the facility, the strength of the location and the underlying value of the facility, as well as the financial strength and experience of the prospective tenant and the tenant's management team. We also analyze the operating history of the specific facility, including the facility's earnings, cash flow, occupancy and patient and payor mix, in order to evaluate its financial and operating strength.

When we identify an attractive acquisition or development opportunity based on historical operations and market conditions, we determine the financial value of a potential long-term net-lease arrangement based on our target long-term net-lease capitalization rates, which currently range from 9.5% to 11%, and fixed charge coverage ratios. We compare that financial value to the replacement costs that we estimate by consulting with major healthcare construction contractors, engaging construction engineers or facility assessment consultants as appropriate, and reviewing recent cost studies. In addition, our due diligence process includes obtaining and evaluating title, environmental and other customary third-party reports. In certain instances we have acquired or may acquire a facility from a tenant or proposed tenant at a purchase price in excess of what our tenant or proposed tenant recently paid or expects to pay for that same facility. Our current policy requires the approval of the investment committee of our board of directors for acquisitions or developments of facilities that exceed $10.0 million.

We seek to build tenant relationships with healthcare operators that we believe are positioned to prosper in the changing healthcare environment. We seek tenant relationships with operators who, based on our financial and operating analyses, have demonstrated the ability to manage in good and bad economic conditions. In certain cases, we lend funds to prospective tenants to assist them with their acquisition of the operations at the facilities that we intend to acquire and lease to them and for initial working capital needs. See "Our Portfolio -- Our Current Portfolio of Facilities." In these instances, where feasible and in compliance with applicable healthcare laws and regulations, we seek to obtain percentage rents based on the prospective tenant's revenues in addition to our base rent. Through our detailed underwriting of healthcare operations and real estate, we expect to deliver attractive risk-adjusted returns to our stockholders.

ASSET MANAGEMENT

We actively monitor our facilities, including reviewing periodic financial reporting and operating data, as well as visiting each facility and meeting with the management of our tenants on a regular basis. Integral to our asset management philosophy is our desire to build long-term relationships with the tenants and, accordingly, we have developed a partnering approach which we believe results in the tenant viewing us as a member of its team. We understand that in order to maximize the value of our investments, our tenants must prosper. Therefore, we expect to work closely with our tenants throughout the terms of our leases in order to foster a long-term working relationship and to maximize the possibility of new business opportunities. For example, we and our prospective tenants typically conduct due diligence in a coordinated manner and share with each other the results of our respective due diligence investigations. During the lease term, we conduct joint evaluations of local facility operations and participate in discussions about strategic plans that may ultimately require our approval pursuant to the terms of our lease agreements. Our chief executive officer, chief financial officer and chief operating officer also communicate frequently with their counterparts at our tenants in order to maintain knowledge about changing regulatory and business conditions. We believe this knowledge equips us to anticipate changes in our tenants' operations in sufficient time to strategically and financially plan for, rather than react to, changing conditions.

In addition to our ongoing analyses of our tenants' operations, our management team actively monitors and researches each healthcare segment in which we own and lease facilities in order to help us recognize changing economic, market and regulatory conditions. Our senior management is not only involved in the underwriting of each asset upon acquisition or development, but is also involved in the asset management process during the entire period in which we own the facility.

OUR FORMATION TRANSACTIONS

The following is a summary of our formation transactions:

- We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders 1,630,435 shares of our common stock in exchange for nominal cash consideration, the membership interests of Medical Properties Trust, LLC were transferred to us and Medical Properties Trust, LLC became our wholly-owned subsidiary. Upon its formation in September 2003, our operating partnership assumed certain obligations of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement. Our founders agreed to the redemption of a portion of their shares of our common stock for nominal consideration primarily in order to facilitate the completion of our April 2004 private placement.

- Our operating partnership, MPT Operating Partnership, L.P., was formed in September 2003. Through our wholly-owned subsidiary, Medical Properties Trust, LLC, we are the sole general partner of our operating partnership. We currently own all of the limited partnership interests in our operating partnership.

- MPT Development Services, Inc., a Delaware corporation that we formed in January 2004, operates as our wholly-owned taxable REIT subsidiary.

- In April 2004 we completed a private placement of 25,300,000 shares of common stock at an offering price of $10.00 per share. Friedman, Billings, Ramsey & Co., Inc. acted as the initial purchaser and sole placement agent. The total net proceeds to us, after deducting fees and expenses of the offering, were approximately $233.5 million. The net proceeds of our private placement, together with borrowed funds, have been or will be used to acquire our current portfolio of twelve facilities, consisting of nine facilities that are in operation and three that are under development, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately $187.6 million to acquire our nine existing facilities, have loaned $47.6 million to Vibra to acquire the operations at the Vibra Facilities and for working capital purposes, $6.2 million of which has been repaid, have made a mortgage loan of $6.0 million to an affiliate of one of our prospective tenants, have funded $40.4 million of a projected total of $63.1 million of development costs for the West Houston Facilities and have advanced $1.9 million pursuant to the North Cypress construction loan. There are approximately 316 beneficial holders of our common stock as of the date of this prospectus.

Edward K. Aldag, Jr., William G. McKenzie, Emmett E. McLean, R. Steven Hamner and James P. Bennett may be considered our founders. Mr. Aldag is serving as chairman of our board of directors and as our president and chief executive officer. Mr. McKenzie is serving as our vice chairman of the board. Mr. McLean is serving as our executive vice president, chief operating officer, treasurer and assistant secretary. Mr. Hamner is serving as our executive vice president and chief financial officer. Mr. Bennett formerly was an owner, officer, director of and consultant to the company's predecessor, Medical Properties Trust, LLC, but has not been affiliated with us since August 2003.

OUR OPERATING PARTNERSHIP

We own our facilities and conduct substantially all of our business through our operating partnership, MPT Operating Partnership, L.P., and its subsidiaries. MPT Operating Partnership, L.P. is a Delaware limited partnership organized by us in September 2003. Our wholly-owned limited liability company, Medical Properties Trust, LLC, serves as the sole general partner of, and holds a 1% interest in, our operating partnership. We also currently own all of the limited partnership interests in our operating partnership, constituting a 99% partnership interest, but may issue limited partnership units from time to time in connection with facility acquisitions and developments. Where permitted by applicable law, we intend to sell equity interests in subsidiaries of our operating partnership in connection with, or subsequent to, the acquisition and development of facilities.

Holders of limited partnership units of our operating partnership, other than us, would be entitled to redeem their partnership units for shares of our common stock on a one-for-one basis, subject to adjustments for stock splits, dividends, recapitalizations and similar events. At our option, in lieu of issuing shares of common stock upon redemption of limited partnership units, we may redeem the partnership units tendered for cash in an amount equal to the then-current value of the shares of common stock. Holders of limited partnership units would be entitled to receive distributions equivalent to the dividends we pay to holders of our shares of common stock. As the sole owner of the general partner of our operating partnership, we have the power to manage and conduct our operating partnership's business, subject to the limitations described in the first amended and restated agreement of limited partnership of our operating partnership. See "Partnership Agreement."

MPT Operating Partnership, L.P. is a limited partner of MPT West Houston MOB, L.P. and MPT West Houston Hospital, L.P., which respectively own the Houston medical office building and the Houston community hospital in our portfolio which are under development. MPT West Houston MOB, LLC and MPT West Houston Hospital, LLC, our wholly-owned subsidiaries, are the respective general partners of these entities. We have sold limited partnership interests representing approximately 24% of the aggregate equity interests in MPT West Houston MOB, L.P. to physicians and others associated with our tenant or subtenants of the West Houston MOB. Stealth, L.P., the tenant of the Houston community hospital under development and an entity majority-owned by physicians, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P.

In general, the management and control of the limited partnerships or limited liability companies that own our properties, such as MPT West Houston MOB, L.P. and MPT West Houston Hospital, L.P., rests with our operating partnership or its subsidiaries. The limited partners or other minority owners in these entities will not participate in the management or control of the business of the partnership or other entity. Although the partnership agreements or limited liability company agreements for future limited partnerships or limited liability companies may vary, our current limited partnership agreements require approval of the limited partners holding a majority of the units in the partnership other than the general partner and its affiliates to:

- amend the partnership agreement in a manner that would:

  - adversely affect the financial or other rights of the limited partners who are not affiliates of the general partner or positively affect the financial rights or other rights of the general partner or reduce the general partner's obligations and responsibilities under the limited partnership agreement;

  - impose on the limited partners who are not affiliates of the general partner any obligation to make additional capital contributions to the partnership;

  - adversely affect the rights of certain limited partners without similarly affecting the rights of other limited partners;

- merge, consolidate or combine with another entity; or

- determine the terms and the amount of consideration payable for any issuances of additional partnership units to our operating partnership, the general partner or any of their respective affiliates.

In general, each partner or other equity owner will share in the partnership's profits, losses and available cash flow pro rata based upon his percentage interest in the partnership. We may hold properties we develop or acquire in the future through structures similar to the structure through which we hold the Houston facilities in our portfolio.

MPT DEVELOPMENT SERVICES, INC.

MPT Development Services, Inc., our taxable REIT subsidiary, was incorporated in January 2004 as a Delaware corporation. MPT Development Services, Inc. is authorized to provide third-party facility planning, project management, medical equipment planning and implementation services, medical office building management services, lending services, including but not limited to acquisition and working capital loans to our tenants, and other services that neither we nor our operating partnership can undertake directly under applicable REIT tax rules. Overall, no more than 20% of the value of our assets may consist of securities of one or more taxable REIT subsidiaries, and no more than 25% of the value of our assets may consist of securities that are not qualifying assets under the test requiring that 75% of a REIT's assets consist of real estate and other related assets. Further, a taxable REIT subsidiary may not directly or indirectly operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider that is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to the facility.

MPT Development Services, Inc. will pay federal, state and local income taxes at regular corporate rates on its taxable income. MPT Development Services, Inc. has made, and from time to time may make, loans to tenants or prospective tenants to assist them with the acquisition of the operations at facilities leased or to be leased to them and for initial working capital needs. There are currently approximately $41.4 million in such loans outstanding. See "Our Portfolio -- Our Current Portfolio of Facilities."

DEPRECIATION

Generally, the federal tax basis for our facilities used to determine depreciation for federal income tax purposes will be our acquisition costs for such facilities. To the extent facilities are acquired with units of our operating partnership or its subsidiaries, we will acquire a carryover basis in the facilities. For federal income tax purposes, depreciation with respect to the real property components of our facilities, other than land, generally will be computed using the straight-line method over a useful life of 40 years, for a depreciation rate of 2.50% per year.

OUR LEASES

The leases for our facilities are "net" leases with terms requiring the tenant to pay all ongoing operating and maintenance expenses of the facility, including property, casualty, general liability and other insurance coverages, utilities and other charges incurred in the operation of the facilities, as well as real estate taxes, ground lease rent and the costs of capital expenditures, repairs and maintenance. Our leases also provide that our tenants will indemnify us for environmental liabilities. Our current leases range from 11 to 16 years and provide for annual rent escalation and, in the case of the Vibra Facilities, percentage rent. Our leases require periodic reports and financial statements from our tenants. In addition, our leases contain customary default, termination, and subletting and assignment provisions. See "Our Portfolio -- Our Current Portfolio of Facilities." We anticipate that our future leases will have similar terms, including percentage rent where feasible and in compliance with applicable healthcare laws and regulations.

ENVIRONMENTAL MATTERS

Under various federal, state and local environmental laws and regulations, a current or previous owner, operator or tenant of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases or threats of releases at such property and may be held liable to a government entity or to third parties for property damage and for investigation, clean-up and monitoring costs incurred by such parties in connection with the actual or threatened contamination, including substances currently unknown, that may have been released on the real estate. These laws may impose clean-up responsibility and liability without regard to fault, or whether or not the owner, operator or tenant knew of or caused the presence of the contamination. The liability under these laws may be joint and several for the full amount of the investigation, clean-up and monitoring costs incurred or to be incurred or actions to be undertaken, although a party held jointly and severally liable might be able to obtain contributions from other identified, solvent, responsible parties of their fair share toward these costs. Investigation, clean-up and monitoring costs may be substantial and can exceed the value of the property. The presence of contamination, or the failure to properly remediate contamination, on a property may adversely affect the ability of the owner, operator or tenant to sell or rent that property or to borrow funds using such property as collateral and may adversely impact our investment in that property. In addition, if hazardous substances are located on or released from our properties, we could incur substantial liabilities through a private party personal injury claim, a property damage claim by an adjacent property owner, or claims by a governmental entity or others for other damages, such as natural resource damages. This liability may be imposed under environmental laws or common-law principles.

Federal regulations require building owners and those exercising control over a building's management to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials and potentially asbestos-containing materials in their building. The regulations also set forth employee training, record keeping and due diligence requirements pertaining to asbestos-containing materials and potentially asbestos-containing materials. Government entities can assess significant fines for violation of these regulations. Building owners and those exercising control over a building's management may be subject to an increased risk of personal injury lawsuits by workers and others exposed to asbestos-containing materials and potentially asbestos-containing materials as a result of these regulations. The regulations may affect the value of a building containing asbestos-containing materials and potentially asbestos-containing materials in which we have invested. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of asbestos-containing materials and potentially asbestos-containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws and regulations may impose liability for improper handling or a release to the environment of asbestos-containing materials and potentially asbestos-containing materials and may provide for fines to, and for third parties to seek recovery from, owners or operators of real property for personal injury or improper work exposure associated with asbestos-containing materials and potentially asbestos-containing materials.

Prior to closing any facility acquisition, we obtain Phase I environmental assessments in order to attempt to identify potential environmental concerns at the facilities. These assessments will be carried out in accordance with an appropriate level of due diligence and will generally include a physical site inspection, a review of relevant federal, state and local environmental and health agency database records, one or more interviews with appropriate site-related personnel, review of the property's chain of title and review of historic aerial photographs and other information on past uses of the property. We may also conduct limited subsurface investigations and test for substances of concern where the results of the Phase I environmental assessments or other information indicates possible contamination or where our consultants recommend such procedures.

While we may purchase many of our facilities on an "as is" basis, we intend for all of our purchase contracts to contain an environmental contingency clause, which permits us to reject a facility because of any environmental hazard at the facility.

COMPETITION

We compete in acquiring and developing facilities with financial institutions, institutional pension funds, real estate developers, other REITs, other public and private real estate companies and private real estate investors. Among the factors adversely affecting our ability to compete are the following:

- we may have less knowledge than our competitors of certain markets in which we seek to purchase or develop facilities;

- many of our competitors have greater financial and operational resources than we have; and

- our competitors or other entities may determine to pursue a strategy similar to ours.

To the extent that we experience vacancies in our facilities, we will also face competition in leasing those facilities to prospective tenants. The actual competition for tenants varies depending on the characteristics of each local market. Virtually all of our facilities operate in a competitive environment, and patients and referral sources, including physicians, may change their preferences for a healthcare facilities from time to time.

HEALTHCARE REGULATORY MATTERS

The following discussion describes certain material federal healthcare laws and regulations that may affect our operations and those of our tenants. However, the discussion does not address state healthcare laws and regulations, except as otherwise indicated. These state laws and regulations, like the federal healthcare laws and regulations, could affect our operations and those of our tenants. Moreover, the discussion relating to reimbursement for healthcare services addresses matters that are subject to frequent review and revision by Congress and the agencies responsible for administering federal payment programs. Consequently, predicting future reimbursement trends or changes is inherently difficult.

Ownership and operation of hospitals and other healthcare facilities are subject, directly and indirectly, to substantial federal, state and local government healthcare laws and regulations. Our tenants' failure to comply with these laws and regulations could adversely affect their ability to meet their lease obligations. Physician investment in us or in our facilities also will be subject to such laws and regulations. We intend for all of our business activities and operations to conform in all material respects with all applicable laws and regulations.

Anti-Kickback Statute. 42 U.S.C. sec.1320a-7b(b), or the Anti-Kickback Statute, prohibits, among other things, the offer, payment, solicitation or acceptance of remuneration directly or indirectly in return for referring an individual to a provider of services for which payment may be made in whole or in part under a federal healthcare program, including the Medicare or Medicaid programs. Violation of the Anti-Kickback Statute is a crime and is punishable by criminal fines of up to $25,000 per violation, five years imprisonment or both. Violations may also result in civil sanctions, including civil penalties of up to $50,000 per violation, exclusion from participation in federal healthcare programs, including Medicare and Medicaid, and additional monetary penalties in amounts treble to the underlying remuneration.

The Anti-Kickback Statute defines the term "remuneration" very broadly and, accordingly, local physician investment in our facilities could trigger scrutiny of our lease arrangements under the Anti-Kickback Statute. In addition to certain statutory exceptions, the Office of Inspector General of the Department of Health and Human Services, or OIG, has issued "Safe Harbor Regulations" that describe practices that will not be considered violations of the Anti-Kickback Statute. These include a safe harbor for space rental arrangements which protects payments made by a tenant to a landlord under a lease arrangement meeting certain conditions. We intend to use our commercially reasonable efforts to structure lease arrangements involving facilities in which local physicians are investors and tenants so as to satisfy, or meet as closely as possible, the conditions for the safe harbor for space rental. We cannot assure you, however, that we will meet all the conditions for the safe harbor, and it is unlikely that we will meet all conditions for the safe harbor in those instances in which percentage rent is contemplated and we have physician investors. In addition, federal regulations require that our tenants with purchase options pay fair market value purchase prices for facilities in which we have physician investment. We intend our lease agreement purchase option prices to be fair market value; however, we cannot assure you that all of our purchase options will be at fair market value. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities. The fact that a particular arrangement does not fall within a statutory exception or safe harbor does not mean that the arrangement violates the Anti-Kickback Statute. The statutory exception and Safe Harbor Regulations simply provide a guaranty that qualifying arrangements will not be prosecuted under the Anti-Kickback Statute. The implication of the Anti-Kickback Statute could limit our ability to include local physicians as investors or tenants or restrict the types of leases into which we may enter if we wish to include such physicians as investors having direct or indirect ownership interests in our facilities.

Federal Physician Self-Referral Statute. Any physicians investing in our company or its subsidiary entities could also be subject to the Ethics in Patient Referrals Act of 1989, or the Stark Law (codified at 42 U.S.C. sec. 1395nn). Unless subject to an exception, the Stark Law prohibits a physician from making a referral to an "entity" furnishing "designated health services" paid by Medicare or Medicaid if the physician or a member of his immediate family has a "financial relationship" with that entity. A reciprocal prohibition bars the entity from billing Medicare or Medicaid for any services furnished pursuant to a prohibited referral. Financial relationships are defined very broadly to include relationships between a physician and an entity in which the physician or the physician's family member has (i) a direct or indirect ownership or investment interest that exists in the entity through equity, debt or other means and includes an interest in an entity that holds a direct or indirect ownership or investment interest in any entity providing designated health services; or (ii) a direct or indirect compensation arrangement with the entity.

The Stark Law as originally enacted in 1989 only applied to referrals for clinical laboratory tests reimbursable by Medicare. However, the law was amended in 1993 and 1994 and, effective January 1, 1995, became applicable to referrals for an expanded list of designated health services reimbursable under Medicare or Medicaid.

The Stark Law specifies a number of substantial sanctions that may be imposed upon violators. Payment is to be denied for Medicare claims related to designated health services referred in violation of the Stark Law. Further, any amounts collected from individual patients or third-party payors for such designated health services must be refunded on a timely basis. A person who presents or causes to be presented a claim to the Medicare program in violation of the Stark Law is also subject to civil monetary penalties of up to $15,000 per claim, civil money penalties of up to $100,000 per arrangement and possibly even exclusion from participation in the Medicare and Medicaid programs.

Final regulations applicable only to physician referrals for clinical laboratory services were published in August 1995. A proposed rule applicable to physician referrals for all designated health services was published in January 1998. In January 2001, CMS published the "Phase I" final rule, which finalized a significant portion of the 1998 proposed rule. On March 26, 2004, CMS issued the second phase of its final regulations addressing physician referrals to entities with which they have a financial relationship (the "Phase II" rule). The Phase II rule addresses and interprets a number of exceptions for ownership and compensation arrangements involving physicians, including the exceptions for space and equipment rentals and the exception for indirect compensation arrangements. The Phase II rule also includes exceptions for physician ownership and investment, including physician ownership of rural providers and hospitals. The new regulation revised the hospital ownership exception to reflect the 18-month moratorium that began December 8, 2003 on physician ownership or investment in specialty hospitals, which was enacted in Section 507 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The Phase II rule became effective on July 26, 2004. Although the 18-month moratorium imposed by Section 507 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 expired on June 8, 2005, a bill introduced in the Senate essentially would make the moratorium permanent with limited exceptions. If enacted, the law would have a retroactive effective date of June 8, 2005.

In those cases where physicians invest in us or our facilities, we intend to fashion our lease arrangements with healthcare providers to meet the applicable indirect compensation exceptions under the Stark Law, however, no assurance can be given that our leases will satisfy these Stark Law exception requirements. Unlike the Anti-kickback Statute Safe Harbor Regulations, a financial arrangement which implicates the Stark Law must meet the requirements of an applicable exception to avoid a violation of the Stark Law. This may lead to obstacles in permitting local physicians to invest in our facilities or restrict the types of lease arrangements we may enter into if we wish to include such physicians as investors.

State Self-Referral Laws. In addition to the Anti-Kickback Statute and the Stark Law, state anti-kickback and self-referral laws could limit physician ownership or investment in us, restrict the types of leases we may enter into if such physician investment is permitted or require physician disclosure of our ownership or financial interest to patients prior to referrals.

Recent Regulatory and Legislative Developments. On August 1, 2003, CMS published the fiscal year 2004 Final Rule for inpatient rehabilitation facilities, or IRFs. Under the Final Rule, all IRFs have received an increase in their prospective payment system rate for fiscal year 2004 due to an across the board 3.2% IRF market basket increase. On July 30, 2004, CMS published the fiscal year 2005 Final Rule which updated the prospective payment rates for IRFs for fiscal year 2005. In updating the fiscal year 2005 payment rates, CMS applied an increase factor to the fiscal year 2004 IRF prospective payment system rates that is equal to the IRF market basket. According to CMS, the projected fiscal year 2005 IRF market basket increase factor is 3.1%. Additionally, the Final Rule calculates the labor-related share for fiscal year 2005. These increases benefit those tenants of ours who operate IRFs.

On May 7, 2004, CMS issued a Final Rule to revise the classification criterion, commonly known as the "75 percent rule," used to classify a hospital or hospital unit as an IRF. The compliance threshold is used to distinguish an IRF from an acute care hospital for purposes of payment under the Medicare IRF prospective payment system. The Final Rule implements a three-year period to analyze claims and patient assessment data to determine whether CMS will continue to use a compliance threshold that is lower than 75% or not. For cost reporting periods beginning on or after July 1, 2004, and before July 1, 2005, the compliance threshold will be 50% of the IRF's total patient population. The compliance threshold will increase to 60% of the IRF's total patient population for cost reporting periods beginning on or after July 1, 2005 and before July 1, 2006, to 65% for cost reporting periods beginning on or after July 1, 2006 and before July 1, 2007, and to 75% for cost reporting periods after July 1, 2007.

Finally, on May 25, 2005 CMS published a fiscal year 2006 Proposed Rule to update the IRF payment rates for fiscal year 2006. CMS will accept comments on the Proposed Rule through July 18, 2005 and by law must publish a Final Rule no later than August 1, 2005. The provisions of the Final Rule may differ from the Proposed Rule. Under the Proposed Rule, CMS proposes a 3.1% market basket increase; an increase from 19.1% to 24.1% in the payment rate adjustment for IRFs located in rural areas, and a 1.9% reduction in standard payment amounts based on evidence that coding increases instead of increases in patient acuity have led to increased payments to IRFs. CMS also proposes to adopt revised Core Based Statistical Areas, or CBSAs, which if adopted would change the geographic designation of approximately 4.4% of IRFs. In addition, approximately 66% of IRFs would either experience an increase or no change in their wage index. Overall, aggregate payments to IRFs under the terms of the Proposed Rule are anticipated to increase $180 million over 2005.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the Act, which contains sweeping changes to the federal health insurance program for the elderly and disabled. The Act includes provisions affecting program payment for inpatient and outpatient hospital services. In total, the Congressional Budget Office estimates that hospitals will receive $24.8 billion over ten years in additional funding due to the Act.

Rural hospitals, which may include regional or community hospitals, one of our targeted types of facilities, will benefit most from the reimbursement changes in the Act. Some examples of these reimbursement changes include (i) providing that payment for all hospitals, regardless of geographic location, will be based on the same, higher standardized amount which was previously available only for hospitals located in large urban areas, (ii) reducing the labor share of the standardized amount from 71% to 62% for hospitals with an applicable wage index of less than 1.0, (iii) giving hospitals the ability to seek a higher wage index based on the number of hospital employees who take employment out of the county in which the hospital is located with an employer in a neighboring county with a higher wage index, and (iv) improving critical access hospital program conditions of participation requirements and reimbursement. Medicare disproportionate share hospital, or DSH, payment adjustments for hospitals that are not large urban or large rural hospitals will be calculated using the DSH formula for large urban hospitals, up to a 12% cap in 2004 for all hospitals other than rural referral centers, which are not subject to the cap. The Act provides that sole community hospitals, as defined in 42 U.S.C. sec. 1395 ww(d)(5)(D)(iii), located in rural areas, rural hospitals with 100 or fewer beds, and certain cancer and children's hospitals shall receive Transitional Outpatient Payments, or TOPs, such that these facilities will be paid as much under the Medicare outpatient prospective payment system, or OPPS, as they were paid prior to implementation of OPPS. As of January 1, 2004 all TOPs for community mental health centers and all other hospitals were otherwise discontinued. The "hold harmless" TOPs provided for under the Act will continue for qualifying rural hospitals for services furnished through December 31, 2005 and for sole community hospitals for cost reporting periods beginning on or after January 1, 2004 and ending on December 31, 2005. Hold harmless TOPs payments continue permanently for cancer and children's hospitals.

The Act also requires CMS to provide supplemental payments to acute care hospitals that are located more than 25 road miles from another acute care hospital and have low inpatient volumes, defined to include fewer than 800 discharges per fiscal year, effective on or after October 1, 2004. Total supplemental payments may not exceed 25% of the otherwise applicable prospective payment rate.

Finally, the Act assures inpatient hospitals that submit certain quality measure data a full inflation update equal to the hospital market basket percentage increase for fiscal years 2005 through 2007. The market basket percentage increase refers to the anticipated rate of inflation for goods and services used by hospitals in providing services to Medicare patients. For fiscal year 2005, the market basket percentage increase for hospitals paid under the inpatient prospective payment system is 3.3%. For those inpatient hospitals that do not submit such quality data, the Act provides for an update of market basket minus 0.4 percentage points.

The Act also imposed an 18 month moratorium limiting the availability of the "whole hospital exception," or Whole Hospital Exception, under the Stark Law for specialty hospitals and prohibited physicians investing in rural specialty hospitals from invoking an alternative Stark Law exception for physician ownership or investment in rural providers. The moratorium began upon enactment of the Act and expired June 8, 2005. Under the Whole Hospital Exception, the Stark Law permits a physician to refer a Medicare or Medicaid patient to a hospital in which the physician has an ownership or investment interest so long as the physician maintains staff privileges at the hospital and the physician's ownership or investment interest is in the hospital as a whole, rather than a subdivision of the facility. Following expiration of the moratorium, CMS issued a statement that it will not issue provider agreements for new specialty hospitals or authorize initial state surveys of new specialty hospitals while it undertakes a review of its procedures for enrolling such facilities in the Medicare program. CMS anticipates completing this review by January 2006. The suspension on enrollment does not apply to specialty hospitals that submitted enrollment applications prior to June 9, 2005 or requested an advisory opinion about the applicability of the moratorium.

On May 11, 2005, Senators Charles Grassley and Max Baucus introduced a bill, known as the Hospital Fair Competition Act of 2005 (S.1002), that if enacted would become effective retroactively as of June 8, 2005 and essentially make permanent the prohibition on physician referrals to specialty hospitals in which the physician has an ownership or investment interest. Specialty hospitals are defined to mean a hospital subject to the inpatient prospective payment system that is located outside of Puerto Rico, which was neither in operation nor under development as of November 18, 2003, and is primarily or exclusively engaged in treating patients with cardiac or orthopedic conditions, undergoing surgery or receiving any other specialized category of services that the Secretary designates. The proposed prohibition would not apply to specialty hospitals in operation or under development as of November 18, 2003, but would limit additional facility expansion and investment in such "grandfathered" specialty hospitals and would also apply to all new specialty hospitals. The bill was referred to the Senate Committee on Finance on May 11, 2005. We cannot predict whether the bill will be passed.

Any acquisition or development of specialty hospitals must comply with the current application and interpretation of the Stark Law and, if enacted, the provisions of the Hospital Fair Competition Act of 2005. CMS may clarify or modify its definition of specialty hospital, which may result in physicians who own interests in our tenants being forced to divest their ownership. Although the specialty hospital moratorium under the Act limited, and the proposed Hospital Fair Competition Act of 2005 would limit physician ownership or investment in "specialty hospitals" as defined by CMS, they not limit a physician's ability to hold an ownership or investment interest in facilities which may be leased to hospital operators or other healthcare providers, assuming the lease arrangement conforms to the requirements of an applicable exception under the Stark Law. We intend to structure all of our leases, including leases containing percentage rent arrangements, to comply with applicable exceptions under the Stark Law and to comply with the Anti-kickback Statute. We believe that strong arguments can be made that percentage rent arrangements, when structured properly, should be permissible under the Stark Law and the Anti-kickback law; however, these laws are subject to continued regulatory interpretation and there can be no assurance that such arrangements will continue to be permissible. Accordingly, although we do not currently have any percentage rent arrangements where physicians own an interest in our facilities, we may be prohibited from entering into percentage rent arrangements in the future where physicians own an interest in our facilities. In the event we enter into such arrangements at some point in the future and later find the arrangements no longer comply with the Stark Law or Anti-Kickback Statute, we or our tenants may be subject to penalties under the statutes.

The California Department of Health Services recently adopted regulations, codified as Sections 70217, 70225 and 70455 of Title 22 of the California Code of Regulations, or CCR, which establish minimum, specific, numerical licensed nurse-to-patient ratios for specified units of general acute care hospitals. These regulations are effective January 1, 2004. The minimum staffing ratios set forth in 22 CCR 70217(a) co-exist with existing regulations requiring that hospitals have a patient classification system in place. 22 CCR, 70053.2 and 70217. The licensed nurse-to-patient ratios constitute the minimum number of registered nurses, licensed vocational nurses, and, in the case of psychiatric units, licensed psychiatric technicians, who shall be assigned to direct patient care and represent the maximum number of patients that can be assigned to one licensed nurse at any one time. Over the past several years many hospitals have, in response to managed care reimbursement contracts, cut costs by reducing their licensed nursing staff. The California Legislature responded to this trend by requiring a minimum number of licensed nurses at the bedside. Due to this new regulatory requirement, any acute care facilities we target for acquisition or development in California may be required to increase their licensed nursing staff or decrease their admittance rates as a result. Governor Schwarzenegger issued two emergency regulations in an attempt to suspend the ratios in emergency rooms and delay for three years staffing requirements in general medical units. However, this action was appealed and on June 7, 2005, the Superior Court overturned the two emergency regulations. The Schwarzenegger administration may appeal this ruling.

On May 7, 2004, CMS issued a Final Rule to update the annual payment rates for the Medicare prospective payment system for services provided by long term care hospitals. The rule increased the Medicare payment rate for long-term care hospitals by 3.1% starting July 1, 2004. On May 6, 2005, CMS issued a Final Rule to update the annual payment rates for 2006. Beginning July 1, 2005, the Medicare payment rate for long-term care hospitals will increase by 3.4% for patient discharges through June 30, 2006. Medicare expects aggregate payment to these hospitals to increase by $169 million during the 2006 long-term care hospital rate year compared with the 2005 rate year. Long-term care hospitals, one of the types of facilities we are targeting, are defined generally as hospitals that have an average Medicare inpatient length of stay greater than 25 days. In addition, the final rule contains policy changes including the adoption of new labor market area definitions for long-term care hospitals which are based on the new Core Based Statistical Areas announced by the Office of Management and Budget, or OMB, late in 2000.

The Balanced Budget Act of 1997, or BBA, mandated implementation of a prospective payment system for skilled nursing facilities. Under this prospective payment system, and for cost reporting periods beginning on or after July 1, 1998, skilled nursing facilities are paid a prospective payment rate adjusted for case mix and geographic variation in wages formulated to cover all costs, including routine, ancillary and capital costs. In 1999 and 2000 the BBA was refined to provide for, among other revisions, a 20% add-on for 12 high acuity non-therapy Resource Utilization Grouping categories, or RUG categories, and a 6.7% add-on for all 14 rehabilitation RUG categories. These categories may expire when CMS releases its refinements to the current RUG payment system. On May 19, 2005, CMS published a Proposed Rule to update skilled nursing facility payment rates for 2006. CMS will accept comments on the Proposed Rule through July 12, 2005. The provisions of the Final Rule may differ from the provisions of the Proposed Rule. Under the Proposed Rule, the fiscal year 2006 rates would reflect an update using the full amount of the latest market basket index, which increase factor is anticipated to be 3.0% but could be adjusted depending on updated forecast data. Additional factors that may be affected in the 2006 Final Rule include deletion of adjustment factors related to facility-specific rates, coverage, consolidated billing, and application of the skilled nursing facility prospective payment system to skilled nursing facility services furnished by swing-bed hospitals.

In addition to the legislation and regulations discussed above, on January 12, 2005, the Medicare Payment Advisory Committee, or MedPAC, made extensive recommendations to Congress and the Secretary of HHS including proposing revisions to DRG payments to more fully capture differences in severity of illnesses in an attempt to more equally pay for care provided at general acute care hospitals as compared to specialty hospitals. Furthermore, MedPAC made significant recommendations regarding paying healthcare providers relative to their performance and to the outcomes of the care they provided. MedPAC recommendations have historically provided strong indications regarding future directions of both the regulatory and legislative process.

INSURANCE

We have purchased general liability insurance (lessor's risk) that provides coverage for bodily injury and property damage to third parties resulting from our ownership of the healthcare facilities that are leased to and occupied by our tenants. Our leases with tenants also require the tenants to carry general liability, professional liability, all risks, loss of earnings and other insurance coverages and to name us as an additional insured under these policies. We expect that the policy specifications and insured limits will be appropriate given the relative risk of loss, the cost of the coverage and industry practice.

EMPLOYEES

We employ 15 full-time employees and one part-time employee as of the date of this prospectus. We anticipate hiring approximately five to 10 additional full-time employees during the next 12 months, commensurate with our growth. We believe that our relations with our employees are good. None of our employees is a member of any union.

LEGAL PROCEEDINGS

We are not involved in any material litigation nor, to our knowledge, is any material litigation pending or threatened against us.

OUR PORTFOLIO

OUR CURRENT PORTFOLIO

Our current portfolio of facilities consists of twelve healthcare facilities, nine of which are in operation and three of which are under development. The Vibra Facilities consist of four rehabilitation hospitals and two long-term acute care hospitals. The Desert Valley Facility is a community hospital with an integrated medical office building. The Covington Facility is a long-term acute care hospital facility. The Redding Facility is a community hospital. All of the leases for the hospitals currently in operation have initial terms of 15 years. Two of the facilities under development are the West Houston Hospital and the adjacent West Houston MOB that is master-leased by the tenant of the hospital. The initial lease term for the West Houston Hospital began when construction commenced in July 2004 and will end 15 years after completion of construction. The initial lease term for the West Houston MOB began when construction commenced in July 2004 and will end 10 years after completion of construction. Construction of the West Houston MOB is projected to be completed in August 2005 and construction of the West Houston Hospital is projected to be completed in October 2005. With respect to the third facility under development, we have entered into a ground sublease with, and an agreement to provide a construction loan to, North Cypress for the development of a community hospital. The facility will be developed on property in which we currently have a ground lease interest. We expect to acquire the land we are ground leasing after the hospital has been partially completed. Upon completion of construction, we will have a right to acquire the facility for an amount equal to the cost of construction and lease the facility to the operator for a 15 year lease term. In the event we do not exercise our right to purchase the facility, we expect our construction loan will convert to a 15 year term loan secured by the facility. We anticipate the North Cypress Facility will be completed in December 2006. The leases for all of the facilities in our current portfolio provide for contractual base rent and an annual rent escalator. The leases for the Vibra Facilities also provide for percentage rent based on an agreed percentage of the tenants' gross revenue. The following tables set forth information, as of June 30, 2005, regarding our current portfolio of facilities:

Operating Facilities

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 ANNUALIZED BASE RENT	2005 CONTRACTUAL BASE RENT(2)	2006 CONTRACTUAL BASE RENT(2)
Bowling Green, Kentucky	Rehabilitation hospital	Vibra Healthcare, LLC(4)	60	$ 3,916,695	$ 4,294,990	$ 4,790,118
Marlton, New Jersey(5)	Rehabilitation hospital(6)	Vibra Healthcare, LLC(4)	76	3,401,791	3,730,354	4,160,390
Victorville, California(7)	Community hospital/medical office building	Desert Valley Hospital, Inc.	83	--	2,341,004	2,856,000
New Bedford, Massachusetts	Long-term acute care hospital	Vibra Healthcare, LLC(4)	90	2,262,979	2,426,320	2,767,624
Redding, California(8)	Community hospital	Vibra Healthcare, LLC(4)	88	--	950,250(9)	1,913,949(9)
Fresno, California	Rehabilitation hospital	Vibra Healthcare, LLC(4)	62	1,914,829	2,099,773	2,341,835
Covington, Louisiana	Long-term acute care hospital	Gulf States Long-Term Acute Care of Covington, L.L.C.	58	--	674,188	1,224,537
Thornton, Colorado	Rehabilitation hospital	Vibra Healthcare, LLC(4)	117	870,377	933,200	1,064,471
Kentfield, California	Long-term acute care hospital	Vibra Healthcare, LLC(4)	60	783,339	858,998	958,024
TOTAL	--	--	694	$13,150,010	$18,309,077	$22,076,948

Operating Facilities

LOCATION	GROSS PURCHASE PRICE(3)	LEASE EXPIRATION
Bowling Green, Kentucky...............	$ 38,211,658	July 2019
Marlton, New Jersey(5)..............	32,267,622	July 2019
Victorville, California(7)..........	28,000,000	February 2020
New Bedford, Massachusetts..........	22,077,847	August 2019
Redding, California(8)..........	20,750,000	June 2020
Fresno, California......	18,681,255	July 2019
Covington, Louisiana....	11,500,000	June 2020
Thornton, Colorado......	8,491,481	August 2019
Kentfield, California...	7,642,332	July 2019
TOTAL...................	$187,622,195	--

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(1) Based on the number of licensed beds.

(2) Based on leases in place as of the date of this prospectus.

(3) Includes acquisition costs.

(4) The tenant in each case is a separate, wholly-owned subsidiary of Vibra Healthcare, LLC.

(5) Our interest in this facility is held through a ground lease on the property. The purchase price shown for this facility does not include our payment obligations under the ground lease, the present value of which we have calculated to be $920,579. The calculation of the base rent to be received from Vibra for this facility takes into account the present value of the ground lease payments.

(6) Thirty of the 76 beds are pediatric rehabilitation beds operated by HBA Management, Inc.

(7) At any time after February 28, 2007, the tenant has the option to purchase the facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us.

(8) Our interest in this facility is held in part through a ground lease on the property. During the term of the ground lease, the tenant will pay the ground lease rent directly to the ground lessor or, at our request, directly to us.

(9) Of the $20,750,000 million purchase price for this facility, $2.0 million is being held in escrow pending completion, to our satisfaction, of a conversion of the skilled nursing beds at the facility to long-term acute care beds and an additional $750,000 of the purchase price will be paid out of a special reserve account to cover the cost of renovations. The 2005 contractual base rent and the 2006 contractual base rent are calculated based on a purchase price of $18.0 million.

Facilities Under
Development 2004 2005
2006 NUMBER OF
ANNUALIZED
CONTRACTUAL
CONTRACTUAL LOCATION
TYPE TENANT BEDS(1)
BASE RENT BASE RENT
BASE RENT - --------
----------------- ---
----------- ---------
----------- ---------
----- ---------------
Houston,
Texas........
Community North
Cypress hospital
Medical Center
Operating Company,
Ltd. 64 $ -- $ (3) $
(3) Houston,
Texas........
Community hospital(5)
Stealth, L.P. 105(6)
-- 772,196(7)
4,749,005(7) Houston,
Texas........ Medical
office building(9)
Stealth, L.P. n/a --
670,840(7)
2,052,769(7) --- ----
------- ----------- -

TOTAL.................
-- -- 169 $ -- $
1,443,036 $ 6,801,774
=== ===========
===========
===========
Facilities Under
Devel PROJECTED
DEVELOPMENT LEASE
LOCATION COST(2)
EXPIRATION - --------
------------ --------
------ Houston,
Texas........ $
64,028,000 (4)
Houston,
Texas........
43,099,310 October
2020(8) Houston,
Texas........
20,855,119 August
2015(10) ------------
TOTAL.................
$127,982,429 --
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(1) Based on the number of proposed beds.

(2) Includes acquisition costs.

(3) During construction of the North Cypress Facility, interest will accrue on the construction loan at a rate of 10.5%. The interest accruing during the construction period will be added to the principal balance of the construction loan. In addition, during the term of the ground sublease, North Cypress will pay us monthly ground sublease rent in an annual amount equal to our ground lease rent plus 10.5% of funds advanced by us under the construction loan.

(4) Expected to be completed in December 2006. If we purchase this facility upon completion of construction, we will lease it back to North Cypress for an initial term of 15 years.

(5) Expected to be completed in October 2005.

(6) Seventy-one of the 105 beds will be acute care beds operated by Stealth, L.P. and the remaining 34 beds will be long-term acute care beds operated by Triumph Southwest, L.P.

(7) Based on leases in place as of the date of this prospectus, estimated total development costs and estimated dates of completion. Assumes completion of construction in October 2005 for the West Houston Hospital and in August 2005 for the West Houston MOB. Does not include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.

(8) Following completion, the lease term will extend for a period of 15 years. At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the community hospital from us at a purchase price equal to the greater of (i) that amount determined under a formula which would provide us an internal rate of return of at least 18% or (ii) appraised value assuming the lease is still in place.

(9) Expected to be completed in August 2005.

(10) Following completion, the lease term will extend for a period of 10 years. At any time during the term of the lease, the tenant has the right to terminate the lease and purchase the medical office building from us at a purchase price equal to the greater of (i) that amount determined under a formula which would provide us an internal rate of return of at least 18% or (ii) appraised value assuming the lease is still in place.

VIBRA FACILITIES AND LOANS

General. We own or ground lease the six Vibra Facilities located in Bowling Green, Kentucky; Marlton, New Jersey; Fresno, California; Kentfield, California; Thornton, Colorado; and New Bedford, Massachusetts. We acquired these facilities from Care Ventures, Inc., an unaffiliated third party, in July and August 2004 for an aggregate purchase price of approximately $127.4 million, including acquisition costs. The purchase price was arrived at through arms-length negotiations with Care Ventures, Inc., based upon our analysis of various factors. These factors included the demographics of the area in which the facility is located, the capabilities of the tenant to operate the facility, healthcare spending trends in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the tenant, and the financial and economic returns which we require for making an investment. The Vibra Facilities are leased to subsidiaries of Vibra. Our leases of the Vibra Facilities require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Vibra is an affiliate of The Hollinger Group. Vibra has been recently formed and had engaged in no meaningful operations prior to entering into the leases for the Vibra Facilities in July and August 2004. The principals of The Hollinger Group have extensive experience in developing, acquiring, managing and operating specialty healthcare facilities and senior care facilities. Mr. Hollinger, the principal owner of Vibra and the founder and chief executive officer of The Hollinger Group, has 18 years experience in all phases of senior care and healthcare activities. For financial information respecting Vibra and its subsidiaries, see the audited financial statements included elsewhere in this prospectus.

Vibra Loans and Fees Receivable. At the time we acquired the Vibra Facilities, MPT Development Services, Inc., our taxable REIT subsidiary, made a loan of approximately $41.4 million to Vibra to acquire the operations at these locations. We refer to this loan as the acquisition loan. The acquisition loan accrues interest at the rate of 10.25% per year and is to be repaid over 15 years with interest only for the first three years and the principal balance amortizing over the remaining 12 year period. The acquisition loan may be prepaid at any time without penalty. In connection with the Vibra transactions, Vibra agreed to pay us commitment fees of approximately $1.5 million. MPT Development Services, Inc. also made secured loans totaling approximately $6.2 million to Vibra and its subsidiaries for working capital purposes. The commitment fees were paid, and the working capital loans were repaid, on February 9, 2005.

As security for the acquisition loan, Vibra has pledged to us all of its interests in each of the tenants of the Vibra Facilities, and Mr. Hollinger has pledged to us his entire interest in Vibra. In addition, Mr. Hollinger, The Hollinger Group and Vibra Management, LLC, another affiliate of Mr. Hollinger, have guaranteed the repayment of the acquisition loan; however, The Hollinger Group and Vibra Management, LLC do not have substantial assets and the liability of Mr. Hollinger under his guaranty is limited to $5.0 million. See "-- Lease Guaranties and Security."

Vibra has entered into a $14.0 million credit facility with Merrill Lynch, and that loan is secured by an interest in Vibra's receivables related to the Vibra Facilities. There was approximately $11.0 million outstanding under the facility on March 31, 2005. Our loan to Vibra is subordinate to Merrill Lynch with respect to Vibra's receivables. At March 31, 2005, Vibra was not in compliance with a facility rent coverage covenant under its Merrill Lynch credit facility. The Merrill Lynch credit facility documents were subsequently amended to retroactively change the rent coverage covenant from a by facility rent coverage to a consolidated rent coverage calculation, such that Vibra was in compliance with the amended covenant at March 31, 2005.

Leases. Each lease for the Vibra Facilities provides that, so long as the acquisition loan is outstanding, after January 1, 2005, and beginning with the calendar month after the month in which aggregate gross revenues for the Vibra Facilities exceed a revenue threshold, the tenant will pay, in addition to base rent, percentage rent in an amount equal to 2% of revenues for the preceding month. Each calendar month thereafter during the term of each lease, the percentage rent will be decreased pro rata based on the amount of the principal reduction of the acquisition loan during the previous calendar month; however, the percentage rent will not be decreased below 1% of revenues.

On March 31, 2005, the leases for the Vibra Facilities were amended to provide (i) that the testing of certain financial covenants will be deferred until the quarter beginning July 1, 2006 and ending September 30, 2006, (ii) that these same financial covenants will be tested on a consolidated basis for all of the Vibra Facilities, (iii) that the reduction in the rate of percentage rent will be made on a monthly rather than annual basis and (iv) that Vibra will escrow insurance premiums and taxes related to the Vibra Facilities at our request. Prior to execution of this amendment, Vibra did not meet the fixed charge coverage ratios required by the lease agreements for the Vibra Facilities. One covenant required that each Vibra Facility maintain a ratio of earnings before interest expense, income tax expense, depreciation expense, amortization expense and base rent (EBITDAR) to total debt payments plus base rent, measured at the end of each quarter, in excess of 125%. The second covenant required that each Vibra Facility maintain a ratio of EBITDAR to base rent, measured at the end of each quarter, in excess of 150%. In the event that either ratio for any Vibra Facility was below the required level for two consecutive fiscal quarters, an event of default would have occurred.

Capital Improvements. The tenant under each lease for the Vibra Facilities is responsible for all capital expenditures required to keep the facility in compliance with applicable laws and regulations. Beginning on July 1, 2005, each tenant is required to make quarterly deposits into a capital improvement reserve account for the particular facility in the amount of $1,500 per bed per year, except that the first deposit will be pro-rated based on one-half of a year. On each January 1 thereafter, the payment of $1,500 per bed per year into the capital improvement reserve will be increased by 2.5%. All capital expenditures made in each year during the term of the lease will be funded first from the capital improvement reserve, and the tenant is required to pay into its respective capital improvement reserve such funds as necessary for all replacements and repairs.

Lease and Loan Guaranties and Security. We have obtained guaranty agreements from Mr. Hollinger, Vibra, Vibra Management, LLC and The Hollinger Group that obligate them to make loan and lease payments in the event that Vibra or the tenants for the Vibra Facilities fail to do so. We believe that these agreements are important elements of our underwriting of newly-formed healthcare operating companies because they create incentives for their owners and managements to successfully operate our tenants. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the total lease or loan obligations. Mr. Hollinger's guaranty is limited to $5.0 million, Vibra Management, LLC and The Hollinger Group do not have substantial assets and Vibra's assets are substantially comprised of operations at the Vibra Facilities. The guaranties of Vibra, Vibra Management and The Hollinger Group relating to the leases for the Vibra Facilities and the Vibra loan are of equal priority with the guaranties relating to the sublease for the Redding Facility.

Each lease for the Vibra Facilities is cross-defaulted with all other leases and other agreements between us, or our affiliates, on the one hand, and the tenant and Mr. Hollinger, or their affiliates, on the other hand, including the sublease for the Redding Facility and the Vibra loan. In addition, Vibra has pledged to us all of its interests in each of the tenants, and Mr. Hollinger has pledged to us his interest in Vibra. As security for the leases for the Vibra Facilities, each of the tenants for the Vibra Facilities has granted us a security interest in all personal property, other than receivables, located at the Vibra Facilities. The management fees that the tenants for the Vibra Facilities pay to Vibra Management, LLC are subordinated to the rents payable to us under the leases for the Vibra Facilities.

We have included the audited and unaudited consolidated financial statements for Vibra Healthcare, LLC as of and for the year ended December 31, 2004 and as of and for the three months ended March 31, 2005. We believe that the financial statements of Vibra Healthcare, LLC are the most meaningful financial information respecting the ability of Vibra to make the lease and loan payments which it is obligated to make to us. We do not believe that historical financial information on the Vibra Facilities prior to our acquisition of those facilities would be meaningful because the facilities had three different owners in the year prior to our acquisition. Also during that time, the owners did not lease those facilities to lessees but operated the facilities themselves, and the facilities were not operated in the same manner as they are currently being operated. We also believe that the financial statements of the guarantors provide limited financial information due to the limited resources which those guarantors possess. We do not believe the financial statements of the Vibra guarantors other than Vibra would be helpful to prospective investors. Therefore, we have provided the financial statements of Vibra Healthcare, LLC, which includes consolidated financial information on the actual lessees of the Vibra Facilities and the parent entity, which is one of the guarantors and the borrower under the Vibra loan.

Purchase Option. At the expiration of each lease for the Vibra Facilities, each tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, determined assuming the lease is still in place, or (ii) the purchase price we paid for the facility, including acquisition costs, increased by 2.5% per annum from the date of purchase.

Depreciation and Real Estate Taxes. The following table sets forth information, as of March 31, 2005, regarding the depreciation and real estate taxes for the Vibra Facilities:

	FEDERAL TAX BASIS		DEPRECIATION			2005 REAL ESTATE	ANNUAL REAL ESTATE
	LAND	BUILDINGS	RATE	METHOD	LIFE IN YEARS	TAXES	RATE
Bowling Green, KY......	$3,070,000	$35,141,658	2.5%	Straight-line	40	$ 27,062	0.07%
Thornton, CO...........	2,130,000	6,361,481	2.5%	Straight-line			

40 197,902
2.33% Fresno,
CA.............
1,550,000
17,131,255 2.5%
Straight-line
40 113,512
0.61%
Kentfield,
CA..........
2,520,000
5,122,332 2.5%
Straight-line
40 92,243 1.21%
Marlton,
NJ............
-- 32,267,622
2.5% Straight-
line 40 334,122
1.04% New
Bedford,
NJ........
1,400,000
20,677,847 2.5%
Straight-line
40 284,535
1.29%

BOWLING GREEN, KENTUCKY

General. This facility, licensed for 60 beds, is an approximately 62,500 gross square foot rehabilitation hospital located in Bowling Green, Kentucky, which is approximately 60 miles from Nashville, Tennessee. Construction of the facility was completed in 1992. We acquired a fee simple interest in this facility on July 1, 2004 for a purchase price of approximately $38.2 million including acquisition costs.

Lease. This facility is 100% leased to 1300 Campbell Lane Operating Company, LLC, a wholly-owned subsidiary of Vibra, pursuant to a 15-year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The tenant has three options to renew for five years each. Beginning on July 1, 2005, the per annum base rent will be equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

MARLTON, NEW JERSEY

General. This facility, licensed for 76 beds, is an approximately 89,139 gross square foot rehabilitation hospital located in Marlton, New Jersey, which is approximately 15 miles from Philadelphia, Pennsylvania. Construction of the facility was completed in 1994. We acquired a ground lease interest in this facility on July 1, 2004 for a purchase price of approximately $32.3 million including acquisition costs. We ground lease the property on which the facility is located from Virtua West Jersey Health System, a New Jersey non-profit corporation, pursuant to a ground lease dated July 15, 1993. The initial term of the ground lease expires in 2030. We have the right to renew the ground lease for an additional term of 35 years upon the satisfaction of certain conditions as set forth in the ground lease.

Lease. This facility is 100% leased to 92 Brick Road Operating Company, LLC, a wholly-owned subsidiary of Vibra, pursuant to a 15 year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The tenant has three options to renew for five years each. Beginning on July 1, 2005, the per annum base rent will be equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

HBA Management, Inc., or HBA, has subleased the entire third floor of the hospital facility, approximately 26,896 square feet, for the operation of a 30-bed pediatric comprehensive rehabilitation unit and related office use, together with certain fixtures, furnishings and equipment located in the subleased premises. The current term of the sublease expires on August 31, 2013. HBA has the option to extend the sublease term for two additional terms of five years each. Base annual rent due under the sublease through September 30, 2005 is approximately $1,112,980 per annum, with adjustments annually thereafter. In addition to base annual rent, HBA is required to pay its proportionate share of all reimbursable expenses.

FRESNO, CALIFORNIA

General. This facility, licensed for 62 beds, is an approximately 78,258 gross square foot rehabilitation hospital located in Fresno, California. Construction of the facility was completed in 1990. We acquired a fee simple interest in this facility on July 1, 2004 for approximately $18.7 million including acquisition costs.

Lease. This facility is 100% leased to 7173 North Sharon Avenue Operating Company, LLC, a wholly-owned subsidiary of Vibra, pursuant to a 15 year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The tenant has three options to renew for five years each. Beginning on July 1, 2005, the per annum base rent will be equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

THORNTON, COLORADO

General. This facility is an approximately 141,388 gross square foot rehabilitation hospital located in Thornton, Colorado, which is approximately 10 miles from Denver, Colorado. The facility is licensed for 70 rehabilitation beds, 24 long-term care beds and 23 psychiatric beds. Construction of the original facility was completed in 1962 with additions completed as recently as 1975. We acquired a fee simple interest in this facility on August 17, 2004 for a purchase price of approximately $8.5 million including acquisition costs.

Lease. This facility is 100% leased to 8451 Pearl Street Operating Company, LLC, a wholly-owned subsidiary of Vibra, pursuant to a 15 year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The tenant has three options to renew for five years each. Beginning on August 17, 2005, the per annum base rent will be equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

NEW BEDFORD, MASSACHUSETTS

General. This facility, licensed for 90 beds, is an approximately 70,657 gross square foot long-term acute care hospital located in New Bedford, Massachusetts, which is approximately 45 miles from Boston, Massachusetts. Construction of the original facility was completed in 1942 with additions completed as recently as 1995. We acquired a fee simple interest in this facility on August 17, 2004 for a purchase price of approximately $22.0 million including acquisition costs.

Lease. This facility is 100% leased to 4499 Acushnet Avenue Operating Company, LLC, a wholly-owned subsidiary of Vibra, pursuant to a 15 year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The tenant has three options to renew for five years each. Beginning on August 17, 2005, the per annum base rent will be equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

KENTFIELD, CALIFORNIA

General. This facility, licensed for 60 beds, is an approximately 43,500 gross square foot long-term acute care hospital located in Kentfield, California, which is approximately 15 miles from San Francisco, California. Construction of the facility was completed in 1963 with the last renovations in 1988. We acquired a fee simple interest in this facility on July 1, 2004 for a purchase price of approximately $7.6 million including acquisition costs.

Lease. This facility is 100% leased to 1125 Sir Francis Drake Boulevard Operating Company, LLC, a wholly-owned subsidiary of Vibra, pursuant to a 15 year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The tenant has three options to renew for five years each. Beginning on July 1, 2005, the per annum base rent will be equal to 12.23% of the purchase price, including acquisition costs. On January 1, 2006 and on each January 1 thereafter, the base rent will be increased by 2.5%.

REDDING, CALIFORNIA

General. On June 30, 2005, Vibra was assigned a long-term ground lease for land located in Redding, California by Ocadian Care Centers, LLC, or Ocadian, and purchased the facility located on the land, which we refer to in this prospectus as the Redding Facility, subject to the ground lease. Also on June 30, 2005, Vibra assigned this ground lease interest to us and we purchased the Redding Facility from Vibra and leased it back to Vibra. The term of the ground lease expires on November 16, 2075. The Redding Facility contains approximately 70,000 square feet of space and is currently licensed for 38 acute care beds, including 24 rehabilitation beds, and 50 skilled nursing beds. Vibra intends to convert the skilled nursing beds to long-term acute care beds. Vibra has subleased the operations at the Redding Facility and the right to occupy the facility back to Ocadian and will manage the facility on behalf of Ocadian during a transitional term until Vibra obtains certain healthcare licences necessary to operate the Redding Facility. Upon receipt of these licenses, the sublease and management agreement will terminate. Vibra expects this sublease and management arrangement to continue for 30 to 60 days.

Our purchase price for assignment of the ground lease interest and for the Redding Facility was $20,750,000 million; however, $2.0 million of the purchase price is being held in escrow pending completion, to our satisfaction, of the conversion of the skilled nursing beds to long-term acute care beds, and an additional $750,000 of the purchase price will be paid out of a special reserve account to pay for renovations. Vibra used and will use the proceeds from the concurrent sale and assignment to us to acquire the Redding Facility and the operations at the facility, upgrade equipment, make certain renovations, convert the skilled nursing beds to long-term acute care beds and for working capital. The purchase price for the Redding Facility was arrived at through arms-length negotiations based upon our analysis of various factors, including the demographics of the area in which the facility is located, the capability of the tenant to operate the facility, healthcare spending trends in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the tenant, and the financial and economic returns which we require for making an investment.

The Redding Facility is owned by MPT of Redding, LLC. Currently, our operating partnership owns all of the membership interests in this limited liability company; however, we have agreed, subject to applicable healthcare regulations, to offer up to 20% of the interests in the limited liability company to local physicians and other persons.

Lease. The Redding Facility is 100% subleased to Northern California Rehabilitation Hospital, LLC, a Vibra subsidiary, for a 15-year term, with three options to renew for five years each. The sublease is a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. Currently, the annual base rent is equal to 10.5% per year of the purchase price actually paid. On each January 1, beginning on January 1, 2006, the base rent will be increased by an amount equal to the greater of (A) 2.5% per year of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI in effect on the then just previous January 1. The sublease requires the tenant to pay an annual inspection fee of $5,000. The annual inspection fee will increase by 2.5% each January 1 during the sublease term. The sublease also requires the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Reserve for Extraordinary Repairs. Beginning on January 1, 2006, the tenant will be required to make deposits into a reserve account equal to $1,500 per bed, increasing on each subsequent January 1 by the greater of 2.5% or the increase in CPI for the previous year. Any amounts drawn from the reserve would be replenished 1/12th of the amount drawn per month, until completely replenished.

Lease Guaranty and Security. The sublease is guaranteed by Vibra, Vibra Management, LLC and The Hollinger Group, and is cross-defaulted with all other leases and other agreements between us, or our affiliates, on the one hand, and the tenant and Mr. Hollinger, or their affiliates, on the other hand, including the leases for the Vibra Facilities and the Vibra loan. The guaranties of Vibra, Vibra Management and The Hollinger Group of the sublease for the Redding Facility are of equal priority with the guaranties relating to the leases for the Vibra Facilities and the Vibra loan. We believe that these agreements are important elements of our underwriting of newly-formed healthcare operating companies because they create incentives for their owners and managements to successfully operate our tenants. However, we do not believe that these parties have sufficient financial resources to satisfy a material portion of the total sublease obligations. We have included the audited and unaudited consolidated financial statements for Vibra Healthcare, LLC as of and for the year ended December 31, 2004 and as of and for the three months ended March 31, 2005.

In addition, as security for the sublease, the tenant has granted us a security interest in all personal property other than receivables, and subject to the prior lien of any purchase money lender, with respect to tangible personal property, located at and to be located at the facility, and an assignment of rents and leases. The tenant has also made a cash deposit with us in an amount equal to three months' base rent under the sublease.

Commitment Fee. We received a commitment fee equal to 0.5% of the purchase price.

Depreciation and Real Estate Taxes. The following table sets forth information, as of June 30, 2005, regarding the depreciation and real estate taxes for the Redding Facility:

	FEDERAL TAX BASIS		DEPRECIATION			2004 REAL ESTATE	
	LAND	BUILDINGS	ANNUAL RATE	METHOD	LIFE IN YEARS	TAXES	RATE
Redding, California...........	$ --	$20,750,000	2.5%	Straight-line	40	$49,681	1.1%

DESERT VALLEY FACILITY

General. On February 28, 2005, we acquired a fee simple interest in the Desert Valley Facility located in Victorville, California, which is approximately 75 miles from Los Angeles, California. The approximately 122,140 square foot community hospital facility, built in 1994, is licensed for 83 beds and has an integrated medical office building comprising approximately 50,000 square feet. We acquired the facility from Prime A Investments, LLC, an unaffiliated third party, for a purchase price of approximately $28.0 million. The purchase price was determined through arms-length negotiations with Prime A Investments, LLC based upon our analysis of various factors. These factors included the demographics of the area in which the facility is located, the capability of the tenant to operate the facility, healthcare spending trends in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the tenant, and the financial and economic returns which we require for making an investment.

Lease. This facility is 100% leased to DVH, an affiliate of Prime A Investments, LLC. The principals of DVH have experience in developing, acquiring, managing and operating acute care hospital facilities. The lease is a 15 year net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. DVH has three options to renew for five years each. Currently, the annual base rent is equal to 10% of the purchase price, or the annual rate of $2.8 million. On January 1, 2006, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (i) 2% per year of the prior year's base rent or (ii) the percentage by which the CPI as published by the United States Department of Labor, Bureau of Labor Statistics on January 1 shall have increased over the CPI figure in effect on the immediately preceding January 1, annualized based on the highest annual rate effective during the preceding year if the previous year's base rent is for a partial year. The lease requires DVH to carry customary insurance which is adequate to satisfy our underwriting standards.

DVH has subleased approximately 40,110 square feet of space in the medical office portion of the facility to its affiliate, Desert Valley Medical Group, Inc., or DVMG, for office use. The DVMG lease requires DVMG to pay rent of $50,138 per month, to be adjusted commencing on January 1, 2006 by changes in the CPI. The DVMG sublease expires on December 31, 2011. DVH has also subleased approximately 500 square feet of space in the facility to Network Pharmaceuticals, Inc. for the operation of a pharmacy. The pharmacy sublease requires the tenant to pay rent of $2,000 per month. The pharmacy sublease currently expires on May 15, 2007, subject to the pharmacy's option to renew for a term of 10 years.

Lease Guaranties and Security. The Desert Valley lease is guaranteed by Prime A Investments, L.L.C., Desert Valley Health System, Inc. and Desert Valley Medical Group, Inc. The guaranty is an absolute and irrevocable guaranty. The lease is cross-defaulted with any other leases between us or any of our affiliates and DVH, any guarantor and any of their affiliates. In addition, as security for the lease, DVH has granted us a security interest in all personal property, other than receivables, located at the Desert Valley Facility, subject to purchase money liens on equipment. Desert Valley Hospital, Inc. has provided to us unaudited financial statements reflecting that, as of March 31, 2005, it had tangible assets of approximately $21.6 million, liabilities of approximately $17.6 million and stockholders' equity of approximately $4.0 million, and for the three months ended March 31, 2005, had net income of approximately $4.0 million.

Desert Valley Health System, Inc., the parent of DVH and a guarantor of the lease, has provided to us audited financial statements showing that, as of December 31, 2004, it had consolidated tangible assets of approximately $40.5 million, consolidated liabilities of approximately $31.4 million, and consolidated tangible net worth of approximately $9.1 million and for the year ended December 31, 2004, had consolidated net income of approximately $3.9 million.

Reserve for Extraordinary Repairs. DVH is responsible for all maintenance and repairs and all extraordinary repairs required to keep the facility in compliance with all applicable laws and regulations and as required under the lease. DVH is required to make quarterly deposits into a reserve account in the amount of $2,500 per bed per year. Beginning on January 1, 2006 and on each January 1 thereafter, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2%. All extraordinary repair expenditures made in each year during the term of the lease are to be funded first from the reserve, and DVH is to pay into the reserve such funds as necessary for all extraordinary repairs.

Purchase Options. At any time after February 28, 2007, so long as DVH and its affiliates are not in default under any lease with us or any of the leases with its subtenants, DVH will have the option, upon 90 days' prior written notice, to purchase the facility at a purchase price equal to the sum of (i) the purchase price of the facility, and (ii) that amount determined under a formula that would provide us an internal rate of return of 10% per year, increased by 2% of such percentage each year, taking into account all payments of base rent received by us. These same purchase rights also apply if we provide DVH with notice of the exercise of our right to change management as a result of a default, provided DVH gives us notice within five days following receipt of such notice. If during the term of the lease we receive from the previous owner or any of its affiliates a written offer to purchase the Desert Valley Facility and we are willing to accept the offer, so long as DVH and its affiliates are not in default under any lease with us or any of the subleases with its subtenants, we must first present the offer to DVH and allow DVH the right to purchase the facility upon the same price, terms and conditions as set forth in the offer; however, if the offer is made after February 28, 2007, in lieu of exercising its right of first refusal, DVH may exercise its option to purchase as provided above.

Depreciation and Real Estate Taxes. The following table sets forth information, as of December 31, 2004, regarding the depreciation and real estate taxes for the Desert Valley Facility:

	FEDERAL TAX BASIS		DEPRECIATION			2004 REAL ESTATE	
	LAND	BUILDINGS	ANNUAL RATE	METHOD	LIFE IN YEARS	TAXES	RATE
Victorville, California...........	$2,000,000	$26,000,000	2.5%	Straight-line	40	$289,905	1.07%

Facility Expansion. We have also entered into a letter agreement with DVH pursuant to which, subject to certain conditions, we have agreed to fund up to $20.0 million for the purpose of expanding our Desert Valley Facility. Subject to DVH providing us a development agreement, which it is not obligated to do, we have agreed to begin funding and DVH has agreed to begin drawing funds before February 28, 2006, in accordance with a disbursement schedule to be provided in the development agreement at the time of the first draw. Upon receipt and approval of the development agreement, DVH is obligated to pay us a fee in cash equal to 0.5% of the maximum amount that can be funded. This fee will be adjusted following the full and final funding of the expansion to a sum equal to 0.5% of the actual amount funded. Except for any adjustments to the fee that may result from funding less than the maximum amount, the fee is non-refundable. If DVH fails to provide a development agreement to us by February 28, 2006, we will have no further liability or obligation to provide the funding. The $20.0 million expansion amount will be treated as a capital addition under the lease and, accordingly, as such expansion costs are funded, the annual rent payable under the lease will increase by an amount equal to the then-current lease rate multiplied by the amount of expansion cost incurred. Such additional rent will continue to be payable for the remaining term of the lease. For purposes of the repurchase options contained in the lease, the purchase price will be increased by the total cost of the addition. DVH is not obligated to present us with a development agreement, and, if it does not, we have no obligation to provide funding to DVH for the expansion. We will not generate any revenues from this transaction unless and until we and DVH execute a definitive development agreement and DVH begins drawing the committed funds.

COVINGTON, LOUISIANA

General. On June 9, 2005, we acquired a fee simple interest in a long-term acute care facility located in Covington, Louisiana, which is approximately 35 miles from New Orleans, Louisiana. The purchase agreement also provided for us to make a $6.0 million loan to Denham Springs Healthcare Properties, L.L.C., as well as our prospective purchase of a long-term acute facility in Denham Springs, Louisiana. We acquired the facility in Covington, Louisiana, which we refer to as the Covington Facility, from Covington Healthcare Properties, L.L.C., an unaffiliated third party. The Covington Facility contains approximately 43,250 square feet of space and is licensed for 58 beds.

The purchase price for the Covington Facility was $11.5 million. This purchase price was arrived at through arms-length negotiations based upon our analysis of various factors. These factors included the demographics of the area in which the facility is located, the capability of the tenant to operate the facility, healthcare spending trends in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the tenant, and the financial and economic returns which we require for making an investment.

The Covington Facility is owned by MPT of Covington, L.L.C. Currently, our operating partnership owns all of the membership interests in this limited liability company; however, we have agreed that, subject to applicable healthcare regulations, we will offer up to 30% of the equity interests in this limited liability company to local physicians.

Lease. The Covington Facility is 100% leased to Gulf States Long Term Acute Care of Covington, L.L.C. for a 15-year term, with three options to renew for five years each. The lease is a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. Currently, the annual base rent is equal to 10.5% of the purchase price plus any costs and charges that may be capitalized. On each January 1, the base rent will increase by an amount equal to the greater of (A) 2.5% per year of the prior year's base rent, or (B) the percentage by which the CPI for November shall have increased over the CPI in effect for the then just previous November; provided, however, on January 1, 2006, the adjustment shall be prorated. The lease requires the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Lease Guaranty and Security. The lease is guaranteed by Gulf States and Team Rehab. The lease is cross-defaulted with our loan agreement with Denham Springs Healthcare Properties, L.L.C. and will be cross-defaulted with our lease of the Denham Springs Facility if we purchase that facility. In addition, as security for the lease, the tenant has granted us a security interest in all personal property, other than receivables and operating licenses, located and to be located at the facility. Pursuant to the lease, the tenant has obtained and delivered to us an unconditional and irrevocable letter of credit, naming us beneficiary, in an amount equal to $598,500. At the time as the operations in the facility have generated EBITDAR coverage of at least two times the base rent for eight consecutive fiscal quarters, the letter of credit may be reduced to an amount equal to three months of the base rent then in effect. If, however, after satisfying the conditions necessary to reduce the letter of credit to three months' base rent, EBITDAR coverage subsequently drops below two times base rent for two consecutive fiscal quarters, the amount of the letter of credit is to be increased to six months' base rent.

Gulf States has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $11.1 million, liabilities of approximately $9.3 million and stockholders' equity of approximately $1.8 million, and for the year ended December 31, 2004 had net income of approximately $2.0 million. Team Rehab has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $21.3 million, liabilities of approximately $9.2 million and owner's equity of approximately $12.1 million, and for the year ended December 31, 2004 had net income of approximately $1.7 million.

The lease requires that, as of the commencement date of the lease and at all times during the lease term, the tenant and its affiliates, Team Rehab, Gulf States and Gulf States of Denham Springs, L.L.C., will maintain an aggregate net worth of $9.0 million.

Repair and Replacement Reserve. The tenant is responsible for all maintenance, repairs and capital improvements at the facility. To secure this obligation, the tenant has deposited with us $34,000 in a regular reserve account. In addition, the tenant has deposited with us $150,247 in a special reserve account for immediate repairs, which repairs are to be undertaken as soon as practicable. In the event amounts in the regular reserve are utilized, the tenant must replenish the reserve to the $34,000 level.

Purchase Options. The lease provides that so long as the tenant is not in default under the lease, our lease for the Denham Springs Facility, if we purchase that facility, or any sublease, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, the tenant will have the option to purchase the facility (i) at the expiration of the initial term and each extension term of the lease, to be exercised by 60 days' written notice prior to the expiration of the initial term and each extension term, and (ii) within five days of written notification from us exercising our right to terminate the engagement of the tenant's or its affiliate's management company as the management company for the facility as a result of an event of default under the lease. The purchase price for those options shall be equal to the greater of (i) the appraised value of the facility, assuming the lease remains in effect for 15 years and not taking into account any purchase options contained therein, or (ii) the purchase price paid by us for the facility, increased annually by an amount equal to the greater of (A) 2.5% per year from the date of the lease, or (B) the rate of increase in the CPI on each January 1.

Commitment Fee. We received a commitment fee at the closing of the purchase of the Covington Facility of $90,000.

Depreciation and Real Estate Taxes. The following table sets forth information, as of December 31, 2004, regarding the depreciation and real estate taxes for the Covington Facility:

	FEDERAL TAX BASIS		DEPRECIATION			2004 REAL ESTATE	
	LAND	BUILDINGS	ANNUAL RATE	METHOD	LIFE IN YEARS	TAXES	RATE
Covington, Louisiana.....	$821,429	$10,678,571	2.5%	Straight-line	40	$36,625	0.32%

DENHAM SPRINGS LOAN

Loan. On June 9, 2005 we made a loan of $6.0 million to Denham Springs Healthcare Properties, L.L.C., $500,000 of which is to be held in escrow until the resolution of certain environmental issues related to the facility. The loan accrues interest at a rate of 10.5% per year, adjusted each January 1 by an amount equal to the greater of (i) 2.5% or (ii) the percentage by which the CPI increases from November to November, provided that the increase in CPI for 2005 is to be prorated. The loan is to be repaid over 15 years with interest only during the 15 years and a balloon payment due and payable at the expiration of the 15 years. The loan may be prepaid at any time without penalty.

Loan Guaranty and Security. The loan is guaranteed by Gulf States Long Term Acute Care of Denham Springs, L.L.C., Team Rehab, L.L.C. and Gulf States. As security for the loan, Denham Springs Healthcare Properties, L.L.C. granted us a first mortgage on the facility and assigned to us all its right, title and interest in and to all leases associated with the facility. The loan is also cross-defaulted with the lease for the Covington Facility.

Lease. As a condition to the loan, Denham Springs Healthcare Properties, L.L.C., the owner of the facility, terminated its existing lease with Gulf States Long Term Acute Care of Denham Springs, L.L.C. and entered into a new 15-year net-lease with Gulf States Long Term Acute Care of Denham Springs, L.L.C., with three options to renew for five years each. Under the lease, the tenant is responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. Beginning on June 9, 2005, the annual base rent is equal to 10.5% of the purchase price, including any costs or charges that may be capitalized. The lease provides that on each January 1 during the term of the lease, the base rent will be increased by an amount equal to the greater of (i) 2.5% per annum of the prior year's base rent, or (ii) the percentage by which the CPI on November 1 shall have increased over the CPI figure in effect on the then just previous November 1, provided that the CPI adjustment for 2005 is to be prorated. The loan agreement among us, Denham Springs Healthcare

Properties, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C. entitles us to receive all reports and other correspondence under this lease during the loan term.

Repair and Replacement Reserve. The lease provides that the tenant, on the commencement date of the lease, is required to deposit $56,000 into a reserve account, as security for the tenant's obligation to make certain repairs under the lease. The tenant is also required under the lease to make a deposit of $398,590 into a special reserve account for use in making certain immediate repairs to the facility, which are to be made as soon as practicable. Under the lease, the landlord and tenant both acknowledge that we are holding both deposits in connection with our loan.

Sale/Leaseback. The purchase agreement provides that, upon favorable resolution of the environmental issues described below, we will purchase the facility for a purchase price of $6.0 million, which will be paid, in whole or in part, by delivering the note evidencing the loan marked "paid-in-full" and releasing to Denham Springs Healthcare Properties, L.L.C. the remaining balance of all funds escrowed under the loan. We expect to enter into a lease with substantially the same terms as the lease for the Covington Facility with Gulf States Long Term Acute Care of Denham Springs, L.L.C at closing.

In April 2005, we arranged for a Phase I environmental assessment to be performed at the Denham Springs Facility. The assessor recommended further soil and groundwater sampling due to the property's previous use as a hospital that involved X-ray and photochemical developing activities. Accordingly, we arranged for a Phase II environmental soil and groundwater sampling. On May 19, 2005, we received a Phase II report which concluded that one groundwater sample was at or exceeded Louisiana Department of Environmental Quality (LDEQ) Numerical Acute and Chronic Criteria standards for several metals. Concentrations of metals in the soil samples were either below quantification limits or below LDEQ regulatory guidelines. Based on this sampling, we were advised to present the findings to LDEQ for review and determination. We were also advised that additional action or investigation may be required by the agency. We cannot predict the action, if any, that may be taken by state or federal regulatory enforcement agencies with respect to these findings or the exposure to us for costs of clean-up or fines.

Commitment Fee. We received a commitment fee at closing in the amount of $60,000.

NORTH CYPRESS FACILITY

General. On June 13, 2005, we closed a series of transactions, effective as of June 1, 2005, with North Cypress, an unaffiliated third party, pursuant to which North Cypress is to develop a community hospital in Houston, Texas. We ground lease two parcels of land, the hospital tract and the parking area tract, from the owners of those tracts pursuant to two separate ground leases. Also, we and the owner of the hospital tract entered into a purchase and sale agreement pursuant to which we can acquire the hospital tract for approximately $4.7 million. We then subleased the hospital tract and the parking area tract to North Cypress, which sublease requires North Cypress to construct the hospital improvements. We refer to this sublease as the ground sublease. The ground sublease has a term of 99 years. We agreed to make a construction loan, secured by the hospital improvements, to North Cypress for approximately $64.0 million, the amount necessary for construction of the improvements, with interest at 10.5% per annum, which interest is deferred and added to the principal balance of the loan during the construction period, and for a term ending upon completion of construction. Subject to certain conditions, we will purchase from and lease to North Cypress the hospital improvements upon completion pursuant to a second purchase and sale agreement and a post-construction lease. In the event we do not exercise our right to purchase the improvements upon completion of construction, the ground sublease will continue, and we expect that the construction loan will be converted to a 15 year term loan with interest at 10.5% per annum, secured by a mortgage on the hospital improvements. If we purchase the improvements, the ground sublease will terminate and be replaced with the post-construction lease, which is a lease of the hospital tract, the land, the hospital improvements and a sublease of the parking area tract. We refer to this lease as the facility lease.

Commitment Fee. In connection with the transaction, North Cypress paid us a commitment fee in the amount of $640,280, $100,000 of which was paid in cash and $540,280 of which was added to the principal balance of the construction loan.

Leases. We entered into two ground leases, one for the hospital tract and one for a parking area tract, with the current owners of that land. We then ground subleased the two tracts to North Cypress. If we purchase the hospital tract, the ground lease for the hospital tract will terminate. If we purchase the hospital improvements at the end of the construction term, the ground sublease will terminate and be replaced by the facility lease which will have a term of 15 years with three options to renew for five years each. The ground sublease and the facility lease are each a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, all rent and other costs and expenses due and payable under the ground lease, taxes, utilities, insurance, maintenance and capital improvements. Rent pursuant to the ground sublease during the construction period is a monthly amount equal to the sum of (A) the product of (i) 10.5% multiplied by (ii) the total amount of funds disbursed under the construction loan as of the date this payment is due divided by 12 plus (B) the sum of all rents paid under the ground leases. Subsequent to the completion of construction of the hospital improvements, base rent under the ground sublease will be an amount equal to 10.5% multiplied by the total amount of funds disbursed under the construction loan plus the sum of all rents paid pursuant to the ground leases. The facility lease requires the tenant to pay monthly rent in an annual amount equal to 10.5% multiplied by the total amount of the funds disbursed under the construction loan plus the sum of all rents paid pursuant to the ground leases. On January 1, 2006, and on each January 1 thereafter, the base rent will increase by an amount equal to the greater of (A) 2.5% per year of the prior year's base rent, excluding the ground lease rent component, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. The leases require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards. The facility lease requires the tenant to pay us, commencing on the commencement date of the facility lease and on each January 1 during the term thereof, an amount equal to $7,500 to cover the cost of the physical inspections of the facility, which fee will, on each January 1, be increased by 2.5% per annum. In addition to this ongoing inspection fee, the MPT lender is entitled to receive an inspection fee of $75,000 to cover the lender's inspection costs during the construction period.

Capital Improvement Reserve. The ground sublease and the facility lease require the tenant, beginning on the date that construction of the facility has been completed, to make annual deposits into a reserve account in the amount of $2,500 per bed per year. These leases also provide that on each January 1 thereafter, the payment of $2,500 per bed per year into the capital improvement reserve will be increased by 2.5%.

Capital Contributions and Net Worth Covenant. The ground sublease and the facility lease require that, as of the commencement date of each lease, the tenant shall have received from its equity owners at least $15.0 million in cash equity. So long as tenant maintains the consolidated net worth required under each lease, such cash equity may be used for acquisition, pre-opening and operating expenses of the facility and shall not be distributed to tenant's equity owners. The ground sublease and the facility sublease contain net worth covenants which tenant must satisfy.

Security. The tenant must deliver to us upon execution of the ground sublease a security deposit in the approximate amount of $6.7 million. The security deposit can be cash or a letter of credit. At the execution of the facility lease the security deposit amount shall be equal to 10.5% times the total development costs of the hospital improvements. At the time that the operations from the facility have sustained EBITDAR coverage of at least two times the then current base rent for two consecutive fiscal years, the amount of the security deposit can be reduced by one half.

Management. North Cypress is newly formed and has had no significant operations to date. North Cypress has executed a contract with Surgical Development Partners, LLC, a hospital management company, to manage the day-to-day operations of the hospital, including staffing, scheduling, billing and collections, governmental compliance and relations, and other functions. Surgical Development Partners, LLC has made a substantial equity investment in North Cypress. We have the right to require North Cypress to replace the management company under certain conditions.

Purchase Options. Pursuant to the terms of the facility lease, so long as no event of default has occurred, at the expiration of the facility lease the tenant will have the option to purchase our interest in the property leased pursuant to the facility lease at a purchase price equal to the greater of (i) the fair market value of the leased property or (ii) the purchase price paid by us to tenant pursuant to the purchase and sale agreement relating to the hospital improvements plus our interest in any capital additions funded by us, as increased by the amount equal to the greater of (A) 2.5% from the date of the facility lease execution or (B) the rate of increase in the CPI as of each January 1 which has passed during the lease term; provided no event shall the purchase price be less than the fair market value of the property leased.

Sale Proceeds Distributions or Syndication. The facility lease also provides that if during the term of the facility lease we sell our interest in the property, then the net sales proceeds from the sales shall be distributed as follows: (A) to us in the amount equal to the purchase price paid by us to the tenant pursuant to the purchase and sale agreement relating to the hospital improvements plus an amount which will provide us with an internal rate of return of 15% and (B) the balance of the net proceeds shall be divided equally between us and the tenant. In addition, subject to applicable healthcare regulations, we will offer to tenant and any physician which owns an interest in tenant the opportunity to purchase up to an aggregate 49% of the limited partnership interest in MPT of North Cypress, L.P., our subsidiary that owns the property. The right to purchase is applicable during the period which is not less than six months or more than nine months subsequent to the commencement date of the facility lease. The price for the limited partnership interest shall be determined on the basis of the historical cost of our assets.

WEST HOUSTON FACILITIES

General. In June 2004, we entered into agreements with Stealth and GPMV to develop the West Houston Hospital and the adjacent West Houston MOB in Houston, Texas. We have engaged GPMV to develop the 105 bed, 121,884 gross square foot West Houston Hospital. Seventy-one beds will be acute care beds to be operated by Stealth and 34 will be long-term acute care beds to be operated by Triumph Southwest, L.P., or Triumph, a tenant of Stealth. We have engaged a third-party developer to develop the adjacent 120,000 gross square foot West Houston MOB on the property. Pursuant to the agreements with Stealth and GPMV, we have formed two Delaware limited partnerships, MPT West Houston Hospital, L.P., or the hospital limited partnership, which will own the West Houston Hospital, and MPT West Houston MOB, L.P., or the MOB limited partnership, which will own the adjoining West Houston MOB. Stealth will be required to maintain insurance that is adequate to satisfy our underwriting standards.

West Houston GP, L.P., an affiliate of GPMV, holds a 25% general partnership interest in Stealth. The limited partners of Stealth, which currently hold a 75% interest, consist of 85 physicians. The sole business of Stealth is the operation of the West Houston Hospital offering multi-specialty services and the West Houston MOB. Because those facilities are still in the construction phase, Stealth has had no meaningful operations to date. Our operating partnership owns an approximate 94% limited partnership interest in the hospital limited partnership and Stealth owns an approximate 6% limited partnership interest. MPT West Houston Hospital, LLC, a wholly-owned limited liability company of our operating partnership, owns the 0.1% general partnership interest in the hospital limited partnership. Currently, our operating partnership owns all of the limited partnership interests in the MOB limited partnership and MPT West Houston MOB, LLC, a wholly-owned subsidiary of our operating partnership, owns the 0.1% general partnership interest. We have sold limited partnership interests representing approximately 24% of the aggregate equity interests in the MOB limited partnership to physicians and others associated with our tenant or subtenants of the West Houston MOB.

The hospital limited partnership and MOB limited partnership each own a fee simple interest in the undeveloped land on which the facilities are being constructed, as well as adjacent undeveloped land. In addition, Stealth has an option throughout the term of the lease to reacquire approximately 14.5 acres of land owned by the hospital limited partnership, which land is located adjacent to the land on which the facilities are being constructed. The option price for this parcel is equal to the original cost to us. Stealth also has a right of first offer throughout the term of the lease to purchase this parcel should we determine to sell it to a third party.

In connection with the development of the West Houston Facilities, we are entitled to a commitment fee of approximately $932,125. This fee is to be paid 15 years from the date of completion of the hospital facility, with interest thereon at the rate of 10.75% per year, and is unsecured but is cross-defaulted with the leases we have with Stealth at the West Houston Facilities. Stealth is to commence making monthly interest payments beginning the first month after completion of the West Houston Hospital.

In addition, MPT Development Services, Inc., our taxable REIT subsidiary, has agreed to make a working capital loan to Stealth in an amount up to $1.62 million. To date, no funds have been drawn by Stealth. This loan is to be repaid 15 years from the date of completion of the West Houston Hospital, with interest at the rate of 10.75% per year, and is unsecured but cross-defaulted with the leases we have with Stealth at the West Houston Facilities. The loans are not guaranteed. The leases contain certain debt coverage ratio and other financial covenants, the default of which would constitute a default under the loans. Stealth is obligated to commence making monthly interest payments beginning the first month after completion of the West Houston Hospital. Either the fee or the working capital loan may be prepaid at any time without penalty, except that a minimum prepayment of $500,000 is required for the working capital loan.

If either we or Stealth determine in good faith, after consultation with healthcare counsel, that healthcare law prohibitions or restrictions require the physician-limited partners to divest their ownership interests in Stealth, we have agreed to issue up to $6 million of limited partnership interests in the hospital limited partnership to Stealth to be used as part of the consideration to completely redeem the physician-limited partners' ownership interests in Stealth. We have agreed to lend Stealth the $6 million to purchase the limited partnership interests in the hospital limited partnership, which loan would accrue interest at the rate of not less than 10.75% per year, and would be paid over 10 years. If this transaction is necessary, we do not expect it to occur prior to the end of the second quarter of 2005.

Development Agreements. The hospital limited partnership has agreed to pay GPMV a development fee of approximately $700,000, a construction management fee not to exceed $200,000, and a contingent funds fee of approximately $450,000. The MOB limited partnership has agreed to pay the developer of the West Houston MOB a development fee of approximately $550,000, a construction management fee of $300,000, and a contingent funds fee of approximately $350,000. Upon the completion of the development of the facilities, we will obtain independent as-built appraisals of the facilities.

Stealth is obligated to pay MPT Development Services, Inc., our taxable REIT subsidiary, a project inspection fee for construction coordination services of $100,000 in the case of the West Houston Hospital and $50,000 in the case of the adjacent West Houston MOB. These fees are to be paid, with interest at the rate of 10.75% per year, over a 15 year period beginning on the date that the West Houston Hospital is completed. The total development costs for the facilities, including acquisition cost, development services fee, commitment fee, project management fee, and construction costs, are estimated to be $42.6 million for the hospital facility and $20.5 million for the medical office building. Construction, which commenced in July 2004, is expected to be completed in October 2005 for the West Houston Hospital and in August 2005 for the adjacent West Houston MOB. During the construction period, we will advance funds pursuant to requests made in accordance with the terms of the development agreements between us and the developers. We have agreed to fund 100% of the total development costs for the West Houston Hospital and the adjacent West Houston MOB. Our agreement with Stealth provides that $17,006,803 of this funding will be in the form of an equity contribution for the West Houston Hospital, with the remaining funding being in the form of debt, and for the adjoining West Houston MOB, our agreement with Stealth provides that $5.0 million of the funding will be in the form of an equity contribution or subordinated debt, with the remaining funding being in the form of debt. If we obtain third-party construction financing, the debt portion of the development costs will be provided by the third-party lender.

Leases. We are leasing the facilities to Stealth during the construction phase with rent accruing until the completion dates and the accrued rent to be paid over the remaining lease term once the facilities are completed. Following the completion dates, the lease term will extend for a period of 15 years for the West Houston Hospital and 10 years for the West Houston MOB. Stealth will have three options to renew each lease for a period of five years each. On January 1, 2006 and on each January 1 thereafter, the base rent for the West Houston Hospital will increase 2.5% and the base rent for the West Houston MOB will increase 2.0%. The leases are net-leases with Stealth responsible for all costs and expenses associated with the operation, maintenance and repair of the facilities. Triumph has subleased an entire floor of the West Houston Hospital in order to operate 34 long-term acute care beds. The sublease is for a term of 180 months following the completion of the construction of the West Houston Hospital. The sublease grants to Triumph options to extend the term of the sublease for three additional periods of five years each. The sublease requires Triumph to pay rent in an amount equal to 12% of all rent and other charges payable by Stealth to us under our lease with Stealth, with certain exclusions. The sublease provides that Stealth's obligations under the sublease are conditioned upon the execution of a guaranty by Triumph HealthCare of Texas, L.L.C. and Triumph HealthCare, L.L.P. The sublease grants Stealth the right to relocate Triumph to a new facility to be constructed adjacent to and attached to the West Houston Hospital. In order to exercise the relocation right, Stealth must give Triumph at least 270 days' notice prior to the date of such relocation. Triumph must vacate the subleased premises on or before the relocation date specified in the notice from Stealth, which cannot be earlier than 270 days after the date of the relocation notice.

Triumph has subleased 9,726 square feet of net rentable area in the West Houston MOB for use as a medical office exclusively for the practice of medicine, the operation of a medical office and the provision of related administrative services, or medical related use. The sublease is for a term of 120 months following the earlier of the date of final completion of the leasehold improvements, or the date on which Triumph commences business in the subleased premises. The sublease grants to Triumph options to extend the term of the sublease for four additional periods of five years each. The sublease requires Triumph to pay annual base rent for years one through ten calculated at $20 per net rentable square foot. Beginning on the first anniversary of the lease and on each anniversary date thereafter, base rent is increased to an amount equal to 1.02 times or 102% of the base rent payable in the previous year. The lease also requires Triumph to pay its pro rata share of annual operating expenses, taxes and insurance relating to the West Houston MOB. The sublease provides that Stealth's obligations under the sublease are conditioned upon the execution of a guaranty by Triumph HealthCare of Texas, L.L.C. and Triumph HealthCare, L.L.P. The West Houston MOB sublease with Triumph also runs concurrently with Stealth's lease with us. In the event our lease with Stealth is terminated, the sublease on the hospital with Triumph is also terminated.

Purchase Option. After the first full 12 month period after construction of each of the West Houston Facilities is completed, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, Stealth has the right to purchase the West Houston MOB and the West Houston Hospital at a purchase price equal to the greater of (i) that amount determined under a formula that would provide us an internal rate of return of at least 18% or (ii) the appraised value based on a 15 year lease in place. To arrive at the appraised value, each of the parties chooses an appraiser. If the appraisals obtained are not materially different, (meaning a 10% or more variance), 50% of the sum of each appraised value is used as the option price. If the two appraisals are materially different, then the two appraisers appoint a third appraiser and the appraiser's valuation which differs greatest from the other two appraisers is excluded and 50% of the sum of the two remaining determinations is used as the option price. The costs of the appraisal process are borne equally by the parties. Upon written notice to us within 90 days of the expiration of the applicable lease, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, Stealth will have the option to purchase the West Houston MOB or the West Houston Hospital at a price equal to the greater of (i) the total development costs (including any capital additions funded by us, but excluding any capital additions funded by Stealth) increased by 2.5% per year, or (ii) the appraised value based on a 15 year lease in place. To arrive at the appraised value, each of the parties chooses an appraiser. If the appraisals obtained are not materially different, (meaning a 10% or more variance), 50% of the sum of each appraised value is used as the option price. If the two appraisals are materially different, then the two appraisers appoint a third appraiser and the appraiser's valuation which differs greatest from the other two appraisers is excluded and 50% of the sum of the two remaining determinations is used as the option price. The costs of the appraisal process are borne equally by the parties.

The leases also provide that under certain limited circumstances, the tenant will have the right to present us with a choice of one out of three proposed exchange facilities to be substituted for the leased facility. The tenant will have the right to propose substitute facilities, if not in default, at any time prior to the expiration of the term, if (i) in the good faith judgment of the tenant the facility becomes uneconomic or unsuitable for its primary intended use, (ii) there is an eviction or interference caused by any claim of paramount title, or (iii) if for other prudent business reasons, the tenant desires to terminate the lease. The tenant will have the obligation to substitute facilities if it has discontinued use of the facility for a period in excess of one year, and we have not exercised our right to terminate the lease. Each proposed substitution facility must: (i) provide us with an annual return on our equity in such facility, or yield, substantially equivalent to our yield from the original facility (ii) provide us with rent with a substantially equivalent yield taking into account any cash adjustment paid or received by us and any other relevant factors, and (iii) have a fair market value in an amount equal to the fair market value of the original facility, taking into account any cash adjustment paid or received by us. If we elect to consummate the exchange, the existing lease would terminate and the parties would enter into a new lease for the substituted facility. If we elect not to proceed with the exchange, the tenant would have the right to terminate the lease and purchase the leased facility for appraised value, determined assuming the lease is still in place.

Right of First Offer to Purchase. At any time during the term of the applicable lease for either of the West Houston Facilities, as long as Stealth is not in default under either of its leases with us or any of the leases with its physician subtenants, we are required to notify Stealth if we intend to sell either facility to a third party. If Stealth wishes to offer to purchase the facility, it must notify us in writing within 15 days, setting forth the terms and conditions of the proposed purchase. If we accept Stealth's offer, Stealth must close the purchase within 45 days of the date of our acceptance.

Security. The leases for the West Houston Facilities are cross-defaulted and are guaranteed by West Houston G.P., L.P. and West Houston Joint Ventures, Inc., affiliates of Stealth. To secure its performance of its lease obligations under the West Houston Hospital lease, Stealth has obtained a certificate of deposit in the amount of $1,905,234, of which we are the beneficiary. The sublease between Stealth and Triumph requires Triumph to obtain a certificate of deposit in the amount of $400,000 to secure the performance of its obligations under its sublease with Stealth. However, subject to execution of definitive agreements, we, Stealth and Triumph have agreed that Triumph shall obtain and deliver to us a $400,000 letter of credit, in lieu of the certificate of deposit, to be held by us. The sublease has been assigned to us as collateral security for Stealth's performance under its lease. Under the lease and the sublease, each of Stealth and Triumph, respectively, are required to give us a security interest in these certificates of deposit and to enter into control agreements with us and the issuing banks which provide that the banks will follow our instructions regarding the certificates of deposit. Once the West Houston Hospital commences operations, Stealth is required to substitute a letter of credit in the amount of $1,905,234 in place of the $1,905,234 certificate of deposit; and on May 1, 2005, the sublease requires that Triumph substitute a letter of credit in the amount of $1,000,000 in place of the $400,000 certificate of deposit. The lease further provides that the Stealth letter of credit may be released in two increments of 50% of the total amount of the letter of credit over a 2 year period following the date on which Stealth generates a total rent (excluding additional charges) coverage from EBITDAR of at least 200% for 12 consecutive months.

Stealth has provided to us unaudited financial statements reflecting that, as of March 31, 2005, it had tangible assets of approximately $5.8 million, including cash of approximately $4.4 million, liabilities of approximately $269,000 and owners' equity of approximately $5.5 million. Neither of the guarantors has any substantial assets, other than its interest in Stealth.

Capital Improvements. Stealth is responsible for all capital expenditures required to keep the West Houston Facilities in compliance with applicable laws and regulations. Beginning on January 1, 2005, Stealth will make monthly deposits into a capital improvement reserve in the amount of $3,000 per year in the case of the West Houston MOB and $2,500 per bed per annum in the case of the West Houston Hospital. On each January 1 thereafter, the payment into the capital improvement reserve will be increased by 2.0% in the case of the West Houston MOB and by 2.25% in the case of the West Houston Hospital. All capital expenditures made in each year during the term of the lease will be funded first from the capital improvement reserve, and the tenant will pay into its respective capital improvement reserve such funds as necessary for all replacements and repairs.

Depreciation and Real Estate Taxes. The following table sets forth information, as of December 31, 2004, regarding the estimated depreciation and real estate taxes for the Houston Facilities:

	ESTIMATED FEDERAL TAX BASIS		ESTIMATED DEPRECIATION			2005 REAL ESTATE	ANNUAL
	LAND	BUILDINGS	RATE	METHOD	LIFE IN YEARS	TAXES	RATE
West Houston Hospital.............	$8,400,000	$34,200,000	2.5%	Straight-line	40	$1,324,860	3.11%
West Houston MOB.......	1,800,000	18,700,000	2.5	Straight-line	40	637,550	3.11

OUR PENDING ACQUISITIONS AND DEVELOPMENTS

We intend to use the net proceeds of this offering and a portion of our available cash and cash equivalents to expand our portfolio by acquiring or developing our Pending Acquisition and Development Facilities, which we consider to be probable acquisitions or developments as of the date of this prospectus, under the terms of the contacts or letters of commitment relating to these facilities. The leases for each of these facilities will provide for contractual base rent and an annual rent escalator. The letters of commitment constitute agreements of the parties to consummate the acquisition or development transactions and enter into leases on the terms set forth in the letters of commitment subject to the satisfaction of certain conditions, including the execution of mutually-acceptable definitive agreements. The following tables contain information regarding our Pending Acquisition and Development Facilities as of the date of this prospectus:

Operating Facilities

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	YEAR ONE CONTRACTUAL INTEREST	LOAN AMOUNT	LEASE EXPIRATION
Hammond, Louisiana* (2)......................	Long-term acute care hospital	Hammond Rehabilitation Hospital, LLC	40	$ 840,000(3)	$ 8,000,000	June 2021
Denham Springs, Louisiana* (4)...............	Long-term acute care hospital	Gulf States Long Term Acute Care of Denham Springs, L.L.C.	59	630,000(5)	6,000,000	June 2020
TOTAL.......................................	--	--	99	$1,470,000	$14,000,000	--

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* Under letter of commitment.

(1) Based on the number of licensed beds.

(2) On April 1, 2005, we entered into a letter of commitment with Hammond Healthcare Properties, LLC, or Hammond Properties, and Hammond Rehabilitation Hospital, LLC, or Hammond Hospital, pursuant to which we have agreed to lend Hammond Properties $8.0 million and have agreed to a

put-call option pursuant to which, during the 90 day period commencing on the first anniversary of the date of the loan closing, we expect to purchase from Hammond Properties a long-term acute care hospital located in Hammond, Louisiana for a purchase price between $10.3 million and $11.0 million. If we purchase the facility, we will lease it back to Hammond Hospital for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning January 1, 2007, an annual rent escalator.

(3) Based on one year contractual interest at the rate of 10.5% per year on the $8.0 million mortgage loan to Hammond Properties. We expect to exercise our option to purchase the Hammond Facility in 2006. For the one year period following our purchase of the facility, contractual base rent would equal $1,079,925, based on 10.5% of an estimated purchase price of $10,285,000.

(4) On June 9, 2005, we entered into a definitive purchase, sale and loan agreement, pursuant to which we loaned Denham Springs Healthcare Properties, L.L.C. $6.0 million and agreed to purchase the Denham Springs Facility for a purchase price of $6.0 million, subject to our satisfaction with the results of our review of an environmental condition at the property of certain conditions. If we purchase the facility, the loan will be cancelled and we will lease the facility to Gulf States Long Term Acute Care of Denham Springs, L.L.C. for an initial term of 15 years. The lease would be a net lease and would provide for contractual base rent and, beginning on January 1, 2006, an annual rent escalator. If we do not purchase the Denham Springs Facility, the $6.0 million loan would remain outstanding.

(5) Based on one year contractual interest at the rate of 10.5% per year on the $6.0 million loan to Denham Springs Healthcare Properties, L.L.C. We expect to purchase the Denham Springs Facility during 2005. For the one year period following our purchase of the facility, contractual base rent would equal 10.5% of the purchase price of $6.0 million, plus an annual rent escalator beginning on January 1, 2006.

Development Facilities

ANNUAL MINIMUM PROJECTED NUMBER OF INCREASE IN
DEVELOPMENT LEASE TYPE TENANT BEDS(1) RENT
COST EXPIRATION ---- --------------- ---------
----------- ------------ ---------- Bensalem,
Pennsylvania**....................... Women's
Bucks County 30 2.5%(2) $ 38,000,000 (3)
hospital/ Oncoplastic medical Institute, LLC
office building Bloomington,
Indiana*.......................... Community
Monroe 32 2.5%(2) 28,000,000 (3) hospital
Hospital, LLC --- ------------
TOTAL...
-- -- 62 $ 66,000,000 -- === ============

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* Under letter of commitment.
** Under contract.

(1) Based on the number of proposed beds.

(2) The annual rent increase is the greater of 2.5% and any change in the CPI.
(3) We expect that each of these leases will have a 15 year term commencing on the date that construction of the facility is completed.

DENHAM SPRINGS, LOUISIANA

General. On June 9, 2005, we entered into a definitive purchase, sale and loan agreement, or purchase agreement, relating to the acquisition of the Covington Facility and the making of a $6.0 million loan to Denham Springs Healthcare Properties, L.L.C., an unrelated third party. The purchase agreement also provides for the purchase and leaseback of the Denham Springs Facility, for a purchase price of $6.0 million and on substantially the same terms as applied to our purchase of the Covington Facility. Our purchase of the Denham Springs Facility is subject to the favorable resolution of the environmental issues discussed above. The Denham Springs Facility is located in Denham Springs, Louisiana, which is approximately 10 miles from Baton Rouge, Louisiana. The Denham Springs Facility contains approximately 36,000 square feet of space and is licensed for 59 beds.

The purchase price for the Denham Springs Facility was arrived at through arms-length negotiations based upon our analysis of various factors, including the demographics of the area in which the facility is located, the capability of the tenant to operate the facility, healthcare spending trends in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the tenant, and the financial and economic returns which we require for making an investment.

We have formed a Delaware limited liability company, MPT of Denham Springs, L.L.C., which made the $6.0 million loan and, upon closing of the prospective purchase, would own the Denham Springs Facility. Our operating partnership currently owns all of the membership interests in this liability company; however, at some point following closing of the prospective purchase, we have agreed, subject to applicable healthcare regulations, to offer up to 30% of the interests in this limited liability company to local physicians.

Lease. At the time we purchase the Denham Springs Facility, we will lease 100% of the facility to Gulf States Long Term Acute Care of Denham Springs, L.L.C. for a 15-year term, with three options to renew for five years each. The lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. The lease will require the tenant to pay base rent in an amount equal to 10.5% per annum of the purchase price plus any costs and charges that may be capitalized. On each January 1, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on November 1 shall have increased over the CPI in effect on the immediately preceding November 1; provided, however, on January 1, 2006, the adjustment shall be prorated. The lease will also require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Guaranty, Security. We expect the lease to be guaranteed by Gulf States and Team Rehab. As security for the lease, the tenant will grant us a security interest in all personal property, other than receivables and operating licenses, located and to be located at the facility. The lease will be cross-defaulted with the lease for the Covington facility. We expect the lease will also require the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to $315,000, and will provide that at such time as the operations in the facility have generated EBITDAR coverage of at least two times the base rent for eight consecutive fiscal quarters, the letter of credit may be reduced to an amount equal to three months of the base rent then in effect. If, however, after satisfying the conditions necessary to reduce the letter of credit to three months' base rent, EBITDAR coverage subsequently drops below two times base rent for two consecutive fiscal quarters, the letter of credit will be increased to six months' base rent. Currently, we have a $315,000 letter of credit from Hibernia Bank that secures our $6.0 million loan to Denham Springs Healthcare Properties, L.L.C. Upon purchase of the Denham Springs Facility, this letter of credit will be changed to secure the obligations of Gulf States Long Term Acute Care of Denham Springs, L.L.C. under the lease.

Gulf States has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $11.1 million, liabilities of approximately $9.3 million and stockholders' equity of approximately $1.8 million, and for the year ended December 31, 2004 had net income of approximately $2.0 million. Team Rehab has provided to us unaudited financial statements reflecting that, as of December 31, 2004, it had tangible assets of approximately $21.3 million, liabilities of approximately $9.2 million and owner's equity of approximately $12.1 million, and for the year ended December 31, 2004 had net income of approximately $1.7 million.

The lease for the Denham Springs Facility will require that, as of the commencement date of the lease and at all times during the lease, the tenant and its affiliates, Team Rehab, Gulf States and Gulf States Long Term Acute Care of Covington, L.L.C., will maintain an aggregate net worth of $9.0 million.

Repair and Replacement Reserve. The tenant will be responsible for all repairs, maintenance and capital improvements to the facility. To secure this obligation, the tenant will deposit with us the sum of $56,000 in a regular reserve account and the sum of $398,590 in a special reserve account for immediate repairs. Currently, we are holding these amounts in connection with our $6.0 million loan to Denham Springs Healthcare Properties, L.L.C. Upon purchase of the Denham Springs Facility, these amounts will be held by us to secure the tenant's repair obligations under the lease. In the event amounts in the regular reserve are utilized, the tenant will be required to replenish the reserve to restore it to the $56,000 level.

Purchase Options. The lease will provide that so long as the tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default under the lease, the lease for the Covington Facility, or any sublease, the tenant will have the option to purchase the facility (i) at the expiration of the initial term and each extension term of the lease, to be exercised by 60 days' written notice prior to the expiration of the initial term and each extension term, and (ii) within five days of written notification from us exercising our right to terminate the engagement of the tenant's or its affiliate's management company as the management company for the facility as a result of an event of default under the lease. The option purchase price shall be equal to the greater of (i) the appraised value of the facility, assuming the lease remains in effect for 15 years and not taking into account any purchase options contained therein, or (ii) the purchase price paid by us for the facility, increased annually by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1.

HAMMOND, LOUISIANA

General. On April 1, 2005, we entered into a letter of commitment with Hammond Healthcare Properties, LLC, the current owner of the property, or Hammond Properties, and Hammond Rehabilitation Hospital, LLC, the current tenant of the property, or Hammond Hospital, both unaffiliated third parties, to provide a mortgage loan to Hammond Properties and enter into a put-call option arrangement relating to our purchase of the facility from Hammond Properties and our leaseback of the facility to Hammond Hospital or its affiliates.

The facility is a long-term acute care hospital located in Hammond, Louisiana, which is approximately 45 miles from New Orleans, Louisiana. The facility contains approximately 23,835 square feet of space and is licensed for 40 beds.

The letter of commitment provides that, under the mortgage loan transaction, we will lend to Hammond Properties the sum of $8.0 million, which will bear interest at the rate of 10.5% per year and be payable interest only on a monthly basis with a balloon payment due and payable at the expiration of the put-call option period described below or, if the put-call option is exercised, at closing of our purchase of the facility. The letter of commitment provides that the loan will be secured by a first mortgage on the facility and by the other collateral and guaranteed as described below.

The letter of commitment provides that, at the time of the mortgage loan closing, we will enter into a put-call option agreement with Hammond Properties providing that either party will have the option, exercisable within 90 days following the one year anniversary of the loan closing, to cause the purchase and sale of the facility, subject to applicable conditions, for a purchase price of the greater of (i) $10,285,714 or (ii) the quotient determined by dividing the annual rental payments by .105 (but not to exceed $11 million). The purchase price was arrived at through arm's-length negotiations based upon our analysis of various factors, including the demographics of the area in which the facility is located, the capability of the tenant to operate the facility, healthcare spending in the geographic area, the structural integrity of the facility, governmental regulatory trends which may impact the services provided by the facility, and the financial and economic returns which we require for making an investment.

If the put-call option is exercised, we will form a Delaware limited liability company, MPT of Hammond, LLC, which will own the facility. Initially, our operating partnership will own all of the membership interests in this limited liability company; however, the letter of commitment provides that, at some point following closing, we have agreed, subject to applicable healthcare regulations, to offer up to 30% of the interests in this limited liability company to local physicians.

Lease. The letter of commitment provides that, if the put-call option is exercised, we will lease 100% of the facility to Hammond Hospital or its affiliate for a 15-year term, with three options to renew for five years each. The letter of commitment provides that the lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. The letter of commitment provides that the lease will require the tenant to pay base rent in an amount equal to 10.50% per annum of the purchase price plus any costs and charges that may be capitalized, which base rent will be payable in monthly installments. The letter of commitment provides that, on each January 1 beginning January 1, 2007, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. The letter of commitment provides that the lease will require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Repair and Replacement Reserve. The letter of commitment provides that the tenant, commencing on the date we purchase the facility, will make annual deposits into a reserve account. We expect that the lease will provide that on each January 1 following the date we purchase the facility, the payment into the reserve account will be increased, and that all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

Security. The letter of commitment provides that, as security for the mortgage loan and the lease, Hammond Properties or the tenant, as the case may be, will grant us a security interest in all personal property, other than receivables, located and to be located at the facility. The letter of commitment requires Hammond Properties and the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to six months' debt service or base rent under the lease, as the case may be, and that at such time as the operations in the facility have generated EBITDAR coverage of at least two times the base rent for eight consecutive fiscal quarters, the letter of credit may be reduced to an amount equal to three months of the base rent then in effect. If, however, after satisfying the conditions necessary to reduce the letter of credit to three months' base rent, EBITDAR coverage subsequently drops below two times base rent for two consecutive fiscal quarters, the letter of credit will be increased to six months' base rent. The letter of commitment provides that the lease will be cross-defaulted with any other lease or agreement between the parties. The letter of commitment provides that the loan and lease will be jointly and severally guaranteed by Hammond Properties, certain affiliates of Hammond Properties and Gulf States Health Services, Inc. For information about the financial condition of Gulf States Health Services, Inc., see the description of the Covington and Denham Springs facilities above.

Purchase Options. The letter of commitment provides that the lease will provide that so long as the tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default under its (and its affiliates) leases with us or any of our affiliates or any of the leases with its subtenants, the tenant will have the option to purchase the facility at the expiration of the initial term and each extension term of the lease. The letter of commitment provides that the purchase price shall be equal to the greater of (i) the appraised value of the facility, assuming the lease remains in effect for 15 years and not taking into account any purchase options contained therein, or (ii) the purchase price paid by us for the facility, increased annually by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1. The parties will agree upon the notice and closing periods applicable to these purchase options.

Net Worth Covenant. The letter of commitment provides that the loan and lease documents will require that, as of the loan closing and throughout the loan and lease terms, Hammond Properties, Hammond Hospital and Gulf States Health Services, Inc. must maintain an aggregate tangible net worth in an amount to be mutually agreed upon with us.

Commitment Fee. The letter of commitment provides that we will be entitled to a commitment fee at the closing of the loan equal to $80,000, $25,000 of which has already been paid. The letter of commitment further provides that we will be entitled to a commitment fee at the closing of the sale transaction equal to 1% of the purchase price, less the amount of all commitment fees previously paid.

BENSALEM, PENNSYLVANIA

General. On March 3, 2005, we entered into a purchase and sales agreement with Bucks County Oncoplastic Institute, LLC, or BCO, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, or the developer, all unaffiliated third parties, to purchase land and develop a women's hospital facility with an integrated medical office building in Bucks County, Pennsylvania, which is approximately 15 miles from Philadelphia, Pennsylvania. The purchase and sale agreement was amended on April 29, 2005 to extend the closing date to June 30, 2005, add G. Patrick Maxwell, M.D. as a party, to structure the transaction initially as a ground lease and a construction loan and mortgage and to increase the amount of pre-closing development costs we have agreed to advance to approximately $2.0 million. The closing date has subsequently been extended to July 31, 2005. BCO has entered into a contract with the owner of the land upon which the facility will be constructed for the purchase of the land.

We intend to enter into a development agreement with the developer to develop the facility. The total development costs to develop the facility, including the cost of the land, are estimated at approximately $38.0 million. We will make a construction loan, secured by the improvements, to BCO for the amount necessary for construction of the improvements with interest at 10.75% per annum for a term ending upon completion of construction. We will ground lease the land during the construction period and, subject to certain conditions, purchase from and lease to BCO the improvements upon their completion. In the event we do not exercise our right to purchase the improvements upon completion of construction, we expect that the ground lease will continue for a term of 15 years with three five year renewal options and that the construction loan will be converted to a 15 year term loan with interest at 10.75% per annum, secured by a mortgage on the improvements. If we purchase the improvements, the ground lease will terminate and be replaced with a lease for both the land and the improvements, which we refer to as the facility lease. Alternatively, and subject to the approval of BCO, we may own the improvements as well as the land and enter into a lease with BCO for both from the date of closing. In this event, we would not make a construction loan and the lease would extend for the construction term and 15 years thereafter with BCO having three five-year renewal options. We would continue to be obligated to fund the development costs. Under this alternative, the terms and conditions set forth below applicable to the facility lease would apply to the lease of land and improvements from the date of closing.

We have agreed to advance up to approximately $2.0 million of development costs prior to closing, which advances will bear interest at the rate of 10.75% and will be guaranteed to the extent of $1.3 million by Dr. Tannenbaum, $300,000 by Mr. Harrison and $385,000 by Dr. Maxwell.

Lease. We have formed a Delaware limited partnership, MPT of Bucks County Hospital, L.P., to own the facility. At the time we purchase the land, we intend to ground lease back 100% of the land to BCO for the construction period. If we purchase the improvements at the end of the construction term, the ground lease will terminate and be replaced by the facility lease, which would continue for a term of 15 years with three options to renew for five years each. In the case of the ground lease or the facility lease, each of which we refer to as the lease, the lease is to be a net-lease with BCO responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance. The lease will require BCO to pay monthly rent in a per annum amount equal to 10.75% multiplied by the purchase price of the land in the case of the ground lease or by the total amount of the funds disbursed under the development agreement in the case of the facility lease. The lease will provide that on January 1, 2006, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI, has increased over the CPI figure in effect on the previous January 1. The lease will also require BCO to carry customary insurance which is adequate to satisfy our underwriting standards. The lease will require BCO to pay us on the commencement date of the lease an amount equal to $7,500 to cover the cost of the physical inspections of the facility, which fee will, beginning on January 1, 2006, and continuing on each January 1 thereafter, be increased by 2.5% per annum. In addition to the inspection fee, the total development costs will also include a fee equal to $75,000 to cover our inspection of the facility during the construction period.

Capital Improvement Reserve. The lease will require BCO to be responsible for all maintenance and repairs and all extraordinary repairs required to keep the facility in compliance with all applicable laws and regulations and as required under the lease. The lease will also require BCO, beginning on the completion of construction of the facility, to make annual deposits into a reserve account in the amount of $2,500 per bed per year. The lease will provide that beginning on the first January 1 after the completion of construction, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2.5%. We expect the lease to provide that all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and BCO will pay into the reserve such funds as necessary for all extraordinary repairs.

Security. As security for the lease, BCO will grant us a security interest in all personal property, other than receivables, located and to be located at the facility, which security interest will be subject to any lien of any purchase money lender. The lease will require BCO to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to one year's base rent under the lease. As a condition to closing and as a continuing covenant under the lease, BCO will be required to maintain a tangible net worth of $5.0 million or access to a working capital line of at least $5.0 million guaranteed by Dr. Tannenbaum, Dr. Maxwell and other approved guarantors. The lease will be cross-defaulted to any other lease or agreement between the parties. BCO is newly formed and has had no significant operations to date.

Purchase Options. The lease will provide that so long as BCO is not in default under any lease with us or any of the leases with its subtenants, at the expiration of the lease BCO will have the option, upon 60 days prior written notice, to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, which assumes the lease remains in effect for 15 years, or (ii) the total development costs, including any capital additions funded by us, as increased by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1.

Commitment Fee. We are to receive at closing a commitment fee equal to 1% of the commitment amount, $15,000 of which has already been paid.

BLOOMINGTON, INDIANA

General. On February 28, 2005, we entered into a letter of commitment with Monroe Hospital Operating Company, or Monroe Hospital, to develop a community hospital in Bloomington, Indiana, which is approximately 50 miles from Indianapolis, Indiana. The letter of commitment provides that we will enter into a contract with Monroe Hospital to, among other things, purchase the land. We intend to enter into a development agreement with an affiliate of Monroe Hospital to develop the facility. The total development costs to develop the facility, including the cost of the land, will be approximately $28.0 million. Alternatively, and subject to the approval of Monroe Hospital, we may make a construction loan, secured by the improvements, to Monroe Hospital for the amount necessary for construction of the improvements with interest at 10.50% per annum for a term ending upon completion of construction. We will ground lease the land during the construction period. Subject to certain conditions, we will purchase from and lease to Monroe Hospital the improvements upon their completion. In the event we do not exercise our right to purchase the improvements upon completion of construction, we expect that the ground lease will continue for a term of 15 years with three five year renewal options and that the construction loan will be converted to a 15 year term loan with interest at 10.50% per annum, secured by a mortgage on the improvements. If we purchase the improvements, the ground lease will terminate and be replaced with a lease for both the land and the improvements, which we refer to as the facility lease.

Lease. We have formed a Delaware limited liability company, MPT of Bloomington, LLC, which will own the facility. The letter of commitment provides that, at the time we purchase the land, we will ground lease 100% of the land and all improvements to be constructed thereon to Monroe Hospital for the construction period. If we purchase the improvements at the end of the construction term, the ground lease will terminate and be replaced by the facility lease which would continue for a term of 15 years with three options to renew for five years each. In the case of the ground lease or the facility lease, each of which we refer to as the lease, the letter of commitment provides that the lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance, maintenance and capital improvements. The letter of commitment provides that the lease will require the tenant to pay monthly rent in a per annum amount equal to 10.50% multiplied by the purchase price of the land in the case of the ground lease or by the total amount of the funds disbursed under the development agreement in the case of the facility lease. The letter of commitment also provides that on January 1, 2006, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per annum of the prior year's base rent, or (B) the percentage by which the CPI on January 1 shall have increased over the CPI figure in effect on the then just previous January 1. The letter of commitment provides that the lease will also require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards, and require the tenant to pay us on the commencement date of the lease an amount equal to $5,000 to cover the cost of the physical inspections of the facility, which fee will, beginning on January 1, 2006, and continuing on each January 1 thereafter, be increased by 2.5% per annum. The letter of commitment provides that the lease will be cross-defaulted with any other lease between us and the tenant or its affiliates.

Repair and Replacement Reserve. The letter of commitment provides that the lease will require the tenant, beginning on the completion of construction of the facility, to make annual deposits into a reserve account in the amount of $2,500 per bed per year. The letter of commitment also provides that the lease will require that beginning on the first January 1 after the completion of construction, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2.5%. We expect the lease to require that all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

Security. The letter of commitment provides that, as security for the lease, the tenant will grant us a security interest in all personal property, other than receivables, located and to be located at the facility. The letter of commitment requires the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to one year's base rent under the lease, and provide that at such time as the operations in the facility generated EBITDAR coverage of at least two times the base rent for two consecutive fiscal years, the letter of credit may be reduced to an amount equal to six months of the base rent then in effect. The letter of commitment provides that the lease will be cross-defaulted to any other lease or agreement between the parties.

Monroe Hospital is newly formed and has had no significant operations to date. The development transaction is conditioned upon Monroe Hospital receiving equity contributions of at least $6.0 million and maintaining sufficient tangible net worth to absorb reasonable costs and expenses, including our lease payments, during the start-up period. Monroe Hospital has executed a contract with Surgical Development Partners, LLC, a hospital management company, to manage the day-to-day operations of the hospital, including staffing, scheduling, billing and collections, governmental compliance and relations, and other functions. Surgical Development Partners, LLC intends to make a substantial equity investment in Monroe Hospital. The letter of commitment provides that we will have the right to require Monroe Hospital to replace the management company under certain conditions.

Purchase Options. The letter of commitment provides that the lease will provide that so long as Monroe Hospital is not in default under any lease with us or any of the leases with its subtenants, at the expiration of the lease Monroe Hospital will have the option, upon 60 days prior written notice, to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, which assumes the lease remains in effect for 15 years, or (ii) the total development costs, including any capital additions funded by us, as increased by an amount equal to the greater of (A) 2.5% per annum from the date of the lease, or (B) the rate of increase in the CPI on each January 1.

Commitment Fee. The letter of commitment provides that we are entitled to a commitment fee at closing equal to 0.5% of $28.0 million if closing occurs before June 1, 2005, less the sum of $100,000 which we have already received as a commitment fee. We may increase the commitment fee if closing occurs after May 31, 2005. We will also be entitled to receive at closing the sum of $50,000 as a construction fee.

We cannot assure you that we will acquire or develop any of the Pending Acquisition and Development Facilities on the terms described in this prospectus or at all, because each of these transactions is subject to a variety of conditions, including, in the case of the Pending Acquisition and Development Facility under contract, our satisfactory completion of due diligence, receipt of appraisals and other third party reports, obtaining of government and third party approvals and consents, our proposed tenant's acquisition of the property on which facilities are to be built, as well as other customary closing conditions and, in the case of the transactions under letters of commitment, negotiation and execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals that support the purchase price set forth in the commitment letter and other third party reports, obtaining of government and third party approvals and consents, approval by our board of directors, and in certain cases the acquisition of the property on which the facility is to be constructed from the current owner, as well as satisfaction of customary closing conditions.

OUR ACQUISITION AND DEVELOPMENT PIPELINE

We have also entered into the following arrangements which, because of the various contingencies that must be satisfied before these transactions can be completed, we do not consider to be probable acquisitions or developments as of the date of this prospectus.

DIVERSIFIED SPECIALTY INSTITUTES, INC. ACQUISITION AND DEVELOPMENT FUNDING

General. On March 3, 2005, we entered into a letter agreement with Diversified Specialty Institutes, Inc., or DSI. An affiliate of DSI is the proposed tenant of the women's hospital and medical office building in Bensalem, Pennsylvania that we have contracted with to develop and leaseback. The letter agreement provides that, subject to DSI identifying facilities for acquisition or development, which it is not required to do, and subject to certain other conditions set forth in the letter agreement, we have agreed to make available to DSI or its affiliates acquisition and development funding in the total amount of

$50.0 million to be used to finance the potential future acquisition or development of healthcare facilities, in each case subject to our due diligence and approval. The arrangement will remain outstanding until March 2, 2006, and be available to finance any acquisition facility or development facility that is subject to definitive agreements as of March 2, 2006, notwithstanding that the closing or completion of the acquisition facility or development facility may not have occurred as of March 2, 2006. We agreed that the definitive documents relating to the arrangement must close by April 30, 2005, unless a 30-day extension is requested by DSI or us. We have extended the closing date to July 31, 2005.

DSI is not required to identify facilities for acquisition or development and, if it does not, we have no obligation to provide funding to DSI. If funds are drawn from the arrangement to fund an acquisition or development facility, as applicable, we expect to enter into definitive documents with DSI. With respect to any development facility, we expect to enter into a development agreement with a developer, which may be an affiliate of DSI, to develop the development facility.

Commitment Fee. The letter agreement provides that we are entitled to a fee equal to 1% of the aggregate purchase price or development costs of any facilities we acquire pursuant to this arrangement, $100,000 of which was paid when the letter agreement was signed. The remainder of the fee will be due and payable at the closing of future projects, with the fee on each project being equal to 1% of that project's purchase price. We have agreed to give DSI a credit on future payments of fees for the $100,000 paid at the execution of the letter agreement.

Lease. We expect to form a Delaware limited liability company or a limited partnership to own each facility acquired or developed pursuant to the commitment. The letter of commitment provides that, at the time of our purchase of any acquisition or development facility, we intend to lease back to the applicable tenant 100% of the land and all improvements, including improvements to be constructed in the case of a development facility, for a 15-year term, with three options to renew for five years each, so long as the options are exercised at least six months prior to the expiration of the lease or the applicable extended term. The letter of commitment provides that each lease will be a net-lease with the tenant responsible for all costs of the facility, including, but not limited to, taxes, utilities, insurance and maintenance.

For each development facility, the letter agreement provides that the tenant will pay monthly rent during the construction period in a per year amount equal to 10.75% multiplied by the total amount of the funds disbursed under the development agreement. The letter agreement also provides that the lease relating to a development facility to require the tenant to pay, following the completion of construction of the facility, base rent in an amount equal to 10.75% per year of the total development costs, payable in monthly installments. For an acquisition facility, we expect the lease to require the tenant to pay us base rent equal to 10.75% of the purchase price of the facility. The letter agreement provides that each lease will provide that commencing on the first January 1 following the commencement of the lease with respect to an acquisition facility, and on the first January 1 following the construction completion date with respect to a development facility, and on each January 1 thereafter, the base rent will be increased by an amount equal to the greater of (A) 2.5% per year of the prior year's base rent, or (B) the percentage by which the CPI on January 1 has increased over the CPI figure in effect on the then just previous January 1. The letter of commitment also provides that each lease for an acquisition facility and a development facility will require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

The letter agreement provides that each lease will require the tenant to pay us on the commencement date of the lease an amount equal to $7,500 to cover the cost of the physical inspections of the facility. The letter agreement also provides that this inspection fee will increase at the rate of 2.5% per year starting on the first January 1 following the commencement date of the lease, in the case of an acquisition facility, or the completion date, in the case of a development facility. In addition to the inspection fee, we also expect the tenant to pay us a fee equal to $75,000 per development facility to cover our inspection of the development facility during the construction period.

Capital Improvement Reserve. The letter agreement provides that each lease will require, commencing on the date that construction has been completed with respect to a development facility, or on the date of commencement of the lease with respect to an acquisition facility, the tenant to make annual deposits into a reserve account in the amount of $2,500 per bed per year. The letter agreement also provides that each lease is expected to provide that on each January 1 thereafter, the payment of $2,500 per bed per year into the improvement reserve will be increased by 2.5%. We expect that the lease will require all extraordinary repair expenditures made in each year during the term of the lease will be funded first from the reserve, and the tenant will pay into the reserve such funds as necessary for all extraordinary repairs.

Security. The letter agreement provides that, as security for each lease, the tenant will grant us a security interest in all personal property, other than receivables, located and to be located at the facility. The letter agreement provides that each lease will be cross-defaulted with any other leases between the tenant, or its affiliates, and us, or our affiliates. The letter agreement provides that each lease will require the tenant to obtain and deliver to us an unconditional and irrevocable letter of credit from a bank acceptable to us, naming us beneficiary thereunder, in an amount equal to one year's base rent under the lease.

The letter agreement provides that each lease will require that, as of the commencement date of the lease, the tenant to have a tangible net worth of no less than $5 million in cash equity or shall have access to a working capital line of no less than $5 million that is personally guaranteed by Dr. Tannenbaum and such other persons as may be approved by us.

Purchase Options. The letter agreement provides that each lease will provide that so long as tenant is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default under its, and its affiliates, leases with us or any of our affiliates or any of the leases with its subtenants, at the expiration of the initial term of the lease, and at the expiration of each extended term thereafter, upon at least 60 days' prior written notice, tenant will have the option to purchase the facility at a purchase price equal to the greater of (i) the appraised value of the facility, or, in the case of a development facility (ii) the total development costs (including any capital additions funded by us), as increased by an amount equal to the greater of (A) 2.5% per year from the date of the lease, or (B) the rate of increase in the CPI on each January 1, or, in the case of an acquisition facility, (ii) the amount of (A) the purchase price paid for the facility, including costs of third party reports, legal fees and all other acquisition costs.

ADDITIONAL ARRANGEMENT

On May 3, 2005 we entered into an arrangement with Prime Healthcare Systems, LLC or Prime Healthcare, an affiliate of DVH, to purchase a hospital facility in California for a purchase price of $25.0 million, subject to adjustment based on an appraisal that we intend to obtain. The transaction is subject to Prime Healthcare's acquisition of the facility from the current owner and a number of other conditions. Prime Healthcare has not yet entered into an agreement or letter of intent to purchase the facility from the current owner and we cannot assure you that it will be able to acquire the facility. If we purchase the facility from Prime Healthcare, we will lease it back to an affiliate of Prime Healthcare for a term of 15 years with three renewal options of five years each. The lease will require the tenant to pay base rent in an amount equal to 10% of the purchase price, which rent shall increase each year by the greater of 2.0% or the increase in CPI from the prior year. We have been paid a fee of $150,000 as consideration for entering into this arrangement. The lease will be cross-defaulted with all other leases and other agreements between us or our affiliates, on the one hand, and the tenant or its affiliates, on the other hand.

We cannot assure you that we will acquire or develop any of the facilities in our acquisition and development pipeline on the terms described in this prospectus or at all, because each of these transactions is subject to a variety of conditions, including negotiation and execution of mutually-acceptable definitive agreements, our satisfactory completion of due diligence, receipt of appraisals that support the purchase price set forth in the letter agreements and other third party reports, obtaining of government and third party approvals and consents, approval by our board of directors, and in certain cases our proposed tenants' acquisition of the facility from the current owner, as well as satisfaction of customary closing conditions.

We have also identified a number of opportunities to acquire or develop additional healthcare facilities. In some cases, we are actively negotiating agreements or letters of intent with the owners or prospective tenants. In other instances, we have only identified the potential opportunity and had preliminary discussions with the owner or prospective tenant. We cannot assure you that we will complete any of these potential acquisitions or developments.

MANAGEMENT

OUR DIRECTORS AND EXECUTIVE OFFICERS

Our business and affairs are managed under the direction of our board of directors, which consists of eight members, three of whom are members of our senior management team and five of whom our board of directors has determined to be independent in accordance with the listing standards established by the New York Stock Exchange, or NYSE. Each director is elected to serve until the next annual meeting of stockholders and until his successor is elected and qualified. The terms of our present directors will expire at our 2005 annual meeting of stockholders. The following table sets forth certain information regarding our executive officers and directors:

NAME	AGE	POSITION
Edward K. Aldag, Jr.	41	Chairman of the Board, President and Chief Executive Officer
R. Steven Hamner	48	Director, Executive Vice President and Chief Financial Officer
William G. McKenzie	46	Vice Chairman of the Board
Emmett E. McLean	50	Executive Vice President, Chief Operating Officer, Treasurer and Assistant Secretary
Michael G. Stewart	50	Executive Vice President, General Counsel and Secretary
Virginia A. Clarke	46	Director
G. Steven Dawson	47	Director
Bryan L. Goolsby	54	Director
Robert E. Holmes, Ph.D.	63	Director*
L. Glenn Orr, Jr.	65	Director

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* Mr. Holmes has been designated as our lead independent director.

The following is a summary of certain biographical information concerning our directors and executive officers:

Edward K. Aldag, Jr. is one of our founders and has served as our president and chief executive officer since August 2003, and as chairman of the board since March 2004. Mr. Aldag served as our vice chairman of the board from August 2003 until March 2004 and as our secretary from August 2003 until March 2005. Prior to that, Mr. Aldag served as an executive officer and director with our predecessor from its inception in August 2002 until August 2003. From 1986 to 2001, Mr. Aldag managed two private real estate companies, Guilford Capital Corporation and Guilford Medical Properties, Inc., that had aggregate assets valued at more than $500 million. Mr. Aldag played an integral role in the formation of investor groups, structuring the financing, and closing the transactions. Guilford Medical Properties, Inc. owned numerous rehabilitation hospitals across the country and net-leased them to four different national healthcare providers. Mr. Aldag served as president and a member of the board of directors of Guilford Medical Properties, Inc. from its inception until selling his interest in the company in 2001. Mr. Aldag was the president and a member of the board of directors of Guilford Capital Corporation from 1998 to 2001 and from 1990 to 1998 served as executive vice president, chief operating officer and a member of the board of directors. Mr. Aldag received his B.S. in Commerce & Business from the University of Alabama with a major in corporate finance.

R. Steven Hamner is one of our founders and has served as our executive vice president and chief financial officer since September 2003 and as a director since February 2005. In August and September 2003, Mr. Hamner served as our executive vice president and chief accounting officer. From October 2001 through March 2004, he was the managing director of Transaction Analysis LLC, a company that provided interim and project-oriented accounting and consulting services to commercial real estate owners and their advisors. From June 1998 to September 2001, he was vice president and chief financial officer of United Investors Realty Trust, a publicly-traded REIT. For the 10 years prior to becoming an officer of United Investors Realty Trust, he was employed by the accounting and consulting firm of Ernst & Young LLP and its predecessors. Mr. Hamner received a B.S. in Accounting from Louisiana State University. Mr. Hamner is a certified public accountant.

William G. McKenzie is one of our founders and has served as the vice chairman of our board of directors since September 2003. Mr. McKenzie has served as a director since our formation and served as the executive chairman of our board of directors in August and September 2003. From May 2003 to August 2003, he was an executive officer and director of our predecessor. From 1998 to the present, Mr. McKenzie has served as president, chief executive officer and a board member of Gilliard Health Services, Inc., a privately-held owner and operator of acute care hospitals. From 1996 to 1998, he was executive vice president and chief operating officer of the Mississippi Hospital Association/Diversified Services, Inc. and the Health Insurance Exchange, a mutual company and HMO. From 1994 to 1996, Mr. McKenzie was senior vice president of Managed Care and executive vice president of Physician Solutions, Inc., a subsidiary of Vaughan HealthCare, a private healthcare company in Alabama. From 1981 to 1994, Mr. McKenzie was hospital administrator and chief financial officer and held other management positions with several private acute care organizations. Mr. McKenzie received a Masters of Science in Health Administration from the University of Colorado and a B.S. in Business Administration from Troy State University. He has served in numerous capacities with the Alabama Hospital Association.

Emmett E. McLean is one of our founders and has served as our executive vice president, chief operating officer and treasurer since September 2003. Mr. McLean has served as assistant secretary since April 2004. In August and September 2003, Mr. McLean also served as our chief financial officer. Mr. McLean was one of our directors from September 2003 until April 2004. From June to September, 2003, Mr. McLean served as executive vice president, chief financial officer, and treasurer and board member of our predecessor. From 2000 to 2003, Mr. McLean was a private investor and, for part of that period, served as a consultant to a privately held company. From 1995 to 2000, Mr. McLean served as senior vice president -- development, secretary, treasurer and a board member of PsychPartners, L.L.C., a healthcare services and practice management company. From 1992 to 1994, he was senior vice president, chief financial officer and secretary of Diagnostic Health Corporation, a healthcare services company. From 1984 to 1992, he worked for Dean Witter Reynolds, Inc., now Morgan Stanley, and Smith Barney, now Citigroup, in the corporate finance departments of their respective investment banking businesses. From 1977 to 1982, Mr. McLean worked as a commercial banker for SunTrust Banks, Inc. Mr. McLean received an MBA from the University of Virginia and a B.A. in Economics from The University of North Carolina.

Michael G. Stewart has served as our general counsel since October 2004 and as our executive vice president and secretary since March 2005. Prior to October 2004, Mr. Stewart worked as a private investor, healthcare consultant and novelist. He advised physician and surgery groups on emerging healthcare issues for four years before publishing three novels. From 1993 until 1995, he served as vice president and general counsel of Complete Health Services, Inc., a managed care company, and its successor corporation, United Healthcare of the South, a division of United Healthcare, Inc. (NYSE: UNH). Mr. Stewart was engaged in the private practice of law between 1988 and 1993. Mr. Stewart holds a J.D. degree from Cumberland School of Law of Samford University and a B.S. in Business Administration from Auburn University.

Virginia A. Clarke has served as a member of our board of directors since February 2005. Ms. Clarke has been a search consultant in the global executive search firm of Spencer Stuart & Associates since 1997. Ms. Clarke was with DHR International, an executive search firm, during 1996. Prior to that, Ms. Clarke spent 10 years in the real estate investment management business with La Salle Partners and Prudential Real Estate Investors, where her activities included asset management, portfolio management, capital raising and client service, and two years with First National Bank of Chicago. Ms. Clarke is a member of the Pension Real Estate Association. Ms. Clarke graduated from the University of California at

Davis and received a master's degree in management from the J.L. Kellogg Graduate School of Management at Northwestern University.

G. Steven Dawson has served as a member of our board of directors since April 2004. He is currently a private investor and serves on the boards of five other real estate investment trusts in addition to his service for us, as follows: American Campus Communities (NYSE: ACC), AmREIT, Inc. (AMEX: AMY), Desert Capital REIT (a non-listed public mortgage company), Sunset Financial Resource, Inc. (NYSE: SFO), and Trustreet Properties, Inc. (NYSE: TSY). Mr. Dawson is chairman of the audit committees for each of these companies except Sunset Financial Resource, Inc. and Trustreet Properties, Inc. From July 1990 to September 2003, he was chief financial officer and senior vice president-finance of Camden Property Trust (NYSE: CPT) and its predecessors, a REIT engaged in the development, ownership, management, financing and sale of multi-family properties throughout the southern United States. Mr. Dawson is involved in various charitable, non-profit and educational organizations, including serving on the board of His Grace Foundation, a charity providing services to the families of children in the Bone Marrow Transplant Unit of Texas Children's Hospital, and as a member of the Real Estate Roundtable at the Mays Graduate School of Business at Texas A&M University. Mr. Dawson received a degree in business from Texas A&M University.

Bryan L. Goolsby has served as a member of our board of directors since February 2005. Mr. Goolsby is the managing partner of the law firm Locke Liddell & Sapp LLP. Mr. Goolsby is an associate board member of the Board of Governors of the National Association of Real Estate Investment Trusts. He is also a member of the National Multi-Family Housing Association and the Pension Real Estate Association, and an associate board member of the Edwin L. Cox School of Business at Southern Methodist University. He serves as a director of Desert Capital REIT, Inc. and AmREIT, Inc. Mr. Goolsby received a J.D. degree from the University of Texas, and is a Certified Public Accountant.

Robert E. Holmes, Ph.D., has served as a member of our board of directors since April 2004. Mr. Holmes, our lead independent director, is the Dean and Professor of Management of the School of Business at the University of Alabama at Birmingham, positions he has held since 1999. From 1995 to 1999, he was Dean of the Olin Graduate School of Business at Babson College in Wellesley, Massachusetts. Prior to that, he was Dean of the James Madison University College of Business in Harrisonburg, Virginia for 12 years. He is the author of more than 20 scholarly publications, is past president of the Southern Business Administration Association, and is actively involved in the International Association for Management Education. Mr. Holmes received a bachelor's degree from the University of Texas at Austin, an MBA from University of North Texas, and received his Ph.D. from the University of Arkansas with an emphasis on management strategy.

L. Glenn Orr, Jr. has served as a member of our board of directors since February 2005. Mr. Orr has been president and chief executive officer of The Orr Group, which provides investment banking and consulting services for middle-market companies, since 1995. Prior to that, he was chairman of the board of directors, president and chief executive officer of Southern National Corporation from 1990 until its merger with Branch Banking & Trust in 1995. Mr. Orr is member of the board of directors, chairman of the governance/compensation committee and a member of the executive committee of Highwoods Properties, Inc. (NYSE: HIW). He is also a member of the boards of directors of General Parts, Inc., Village Tavern, Inc. and Broyhill Management Fund, Inc. Mr. Orr previously served as president and chief executive officer of Forsyth Bank and Trust Co., president of Community Bank in Greenville, South Carolina and president of the North Carolina Bankers Association. He is a trustee of Wake Forest University.

CORPORATE GOVERNANCE -- BOARD OF DIRECTORS AND COMMITTEES

Our board of directors has adopted a code of ethics and business conduct relating to the conduct of our business by our employees, officers and directors, and has also adopted corporate governance guidelines to assist the board of directors in the administration of its duties. Our corporate governance guidelines and the listing standards of the NYSE require that a majority of the members of our board of directors be independent. Board members are recommended for nomination by our ethics, nominating and corporate governance committee. Nominations must satisfy the standards established by that committee for membership on our board of directors.

Our directors generally meet quarterly or more frequently if necessary. The directors are regularly kept informed about our business at meetings of the board of directors and its committees and through supplemental reports and communications. Our independent directors meet regularly in executive sessions without the presence of any corporate officers. Mr. Holmes has been selected by the board of directors to serve as lead independent director and in that capacity presides at meetings of the non-management directors, coordinates the preparation for meetings of the board of directors with our chief executive officer, and serves as the liaison between the board of directors and our chief executive officer.

Our board of directors has established audit, compensation, ethics, nominating and corporate governance and investment committees, the principal functions and membership of which are briefly described below. The charters of the audit, compensation and ethics, nominating and corporate governance committees, along with our code of ethics and business conduct and our corporate governance guidelines, will be available on our website upon completion of this offering.

In February 2005, we expanded the size of our board of directors from seven to 11 directors and elected four new directors, Messrs. Goolsby, Hamner and Orr and Ms. Clarke. In connection with the election of these new directors, our board reconstituted our audit, compensation and ethics, nominating and corporate governance committees and established the investment committee of our board. On April 6, 2005, three of our independent directors who had become members of our board in April 2004 resigned as directors.

AUDIT COMMITTEE

Our board of directors has established an audit committee, which is comprised of three independent directors, Messrs. Dawson and Orr and Ms. Clarke. Mr. Dawson serves as the chairperson of the audit committee and also serves on the audit committees of three other public companies. Our board of directors has determined that Mr. Dawson's service on the audit committees of other public companies does not impair his ability to serve on our audit committee. The audit committee oversees (i) our accounting and financial reporting processes; (ii) the integrity and audits of our financial statements; (iii) our compliance with legal and regulatory requirements; (iv) the qualifications and independence of our independent auditors; and (v) the performance of our internal and independent auditors. The audit committee also:

- has sole authority to appoint or replace our independent auditors;

- has sole authority to approve in advance all audit and non-audit services by our independent auditors;

- monitors compliance of our employees with our standards of business conduct and conflict of interest policies; and

- meets at least quarterly with our senior executive officers, internal audit staff and our independent auditors in separate executive sessions.

The specific functions and responsibilities of the audit committee are set forth in the audit committee's charter. Our board of directors has determined that each of the members of the audit committee is financially literate, as such term is interpreted by our board of directors. In addition, our board of directors has determined that Mr. Dawson qualifies as an "audit committee financial expert" under the current SEC regulations. Our management has primary responsibility for the financial statements and internal control over financial reporting. The audit committee engages an independent registered public accounting firm to conduct an annual audit of the Company's financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

COMPENSATION COMMITTEE

Our board of directors has established a compensation committee, which is comprised of three independent directors, Messrs. Dawson, Goolsby and Orr. Mr. Orr serves as the chairperson of the compensation committee. The principal functions of the compensation committee are to:

- evaluate the performance of our executive officers;

- review and approve the compensation for our executive officers;

- review and make recommendation to the board with respect to our incentive compensation plans and equity-based plans; and

- administer our equity incentive plan.

The compensation committee also reviews and approves corporate goals and objectives relevant to the chief executive officer's compensation, evaluates the chief executive officer's performance in light of those goals and objectives, and establishes the chief executive officer's compensation levels based on its evaluation. The compensation committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the chief executive officer or any other executive officer or director. In 2004, the compensation committee engaged a compensation consultant to perform a comprehensive review and provide recommendations to the compensation committee regarding the compensation of our officers and directors. The specific functions and responsibilities of the compensation committee are set forth in more detail in the compensation committee's charter.

ETHICS, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Our board of directors has established an ethics, nominating and corporate governance committee. Membership of the committee is comprised of three independent directors, Messrs. Dawson, Goolsby and Holmes. Mr. Holmes serves as the chairperson of this committee. The ethics, nominating and corporate governance committee is responsible for, among other things, recommending the nomination of qualified individuals to become directors, recommending the composition of committees of our board, periodically reviewing the board's performance and effectiveness as a body, recommending proposed changes to the board of directors, and periodically reviewing our corporate governance guidelines and policies. The specific functions and duties of the ethics, nominating and corporate governance committee are set forth in the committee's charter.

INVESTMENT COMMITTEE

Our board of directors has established an investment committee. Membership of the committee is comprised of all of our current directors. Mr. Aldag serves as the chairperson of this committee. The investment committee is responsible for, among other things, considering and taking action with respect to all acquisitions, developments and leasing of healthcare facilities in which our aggregate investment will exceed $10 million.

VACANCIES ON OUR BOARD OF DIRECTORS

Any director may resign at any time and may be removed with or without cause by the stockholders upon the affirmative vote of the holders of at least two-thirds of all of our common stock outstanding and entitled to vote generally for the election of directors. Unless filled by a vote of the stockholders in the event a director is removed as permitted by Maryland law, a vacancy created by death, resignation, removal, adjudicated incompetence or other incapacity of a director may be filled by a vote of a majority of the remaining directors although less than a quorum. Vacancies created by an increase in the number of directors must be filled by a vote of majority of the entire board.

LIMITED LIABILITY AND INDEMNIFICATION

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholder for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter limits the personal liability of our directors and officers for money damages to the fullest extent permitted under Maryland law.

The MGCL requires a corporation, unless its charter provides otherwise, which our charter does not, to indemnify a director or officer who has been successful on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. See "Certain Provisions of Maryland Law and of Our Charter and Bylaws -- Indemnification and Limitation of Directors' and Officers' Liability."

We maintain a directors and officers liability insurance policy. We have also entered into indemnification agreements with each of our directors and executive officers, which we refer to in this context as indemnitees. The indemnification agreements provide that we will, to the fullest extent permitted by Maryland law, indemnify and defend each indemnitee against all losses and expenses incurred as a result of his current or past service as our director or officer, or incurred by reason of the fact that, while he was our director or officer, he was serving at our request as a director, officer, partners, trustee, employee or agent of a corporation, partnership, joint venture, trust, other enterprise or employee benefit plan. We have agreed to pay expenses incurred by an indemnitee before the final disposition of a claim provided that he provides us with a written affirmation that he has met the standard of conduct required for indemnification and a written undertaking to repay the amount we pay or reimburse if it is ultimately determined that he has not met the standard of conduct required for indemnification. We are to pay expenses within 20 days of receiving the indemnitee's written request for such an advance. Indemnitees are entitled to select counsel to defend against indemnifiable claims.

The general effect to investors of any arrangement under which any person who controls us or any of our directors, officers or agents is insured or indemnified against liability is a potential reduction in distributions to our stockholders resulting from our payment of premiums associated with liability insurance and payment of indemnifiable expenses and losses.

The SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable. As a result, indemnification of our directors and officers may not be allowed for liabilities arising from or out of a violation of state or federal securities laws.

DIRECTOR COMPENSATION

As compensation for serving on our board of directors, each of our independent directors receives an annual fee of $20,000 and an additional $1,000 for each board of directors meeting attended. In addition, each independent director is paid $1,000 for attendance at each meeting of a committee on which he serves. Committee chairmen receive an additional $5,000 per year except that the audit committee chairman receives an additional $10,000 per year. In addition, we reimburse our directors for their reasonable out-of-pocket expenses incurred in attending board of directors and committee meetings. Directors who are also officers or employees of our company receive no additional compensation for their service as directors. At the time of each annual meeting of our stockholders following his or her election to the board of directors, each independent director will receive 2,000 shares of our common stock, restricted as to transfer for three years, or a comparable number of deferred stock units. Our compensation committee may change the compensation of our independent directors in its discretion.

Upon joining our board of directors, each independent director received a non-qualified option to purchase 20,000 shares of our common stock with an exercise price of $10.00 per share. One-third of these options vested upon grant. One-half of the remaining options will vest on each of the first and second anniversaries of the date of grant. In addition to this option to purchase stock, each of our independent directors has been awarded 2,500 deferred stock units, which represent the right to receive 2,500 shares of common stock at no cost in October 2007 for Messrs. Dawson and Holmes and 2,500 shares of common stock at no cost in March 2008 for Ms. Clarke and Messrs. Goolsby and Orr.

EXECUTIVE COMPENSATION

The following table sets forth the compensation paid or earned by our chief executive officer and our other executive officers for 2003 and 2004:

NAME AND POSITION	YEAR	SALARY	BONUS	RESTRICTED STOCK AWARDS(1)	OTHER ANNUAL COMPENSATION	ALL OTHER COMPENSATION
Edward K. Aldag, Jr.	2004	$350,000	$350,000	43,500	$50,462(2)	$30,769(3)
Chairman, Chief Executive	2003	145,833(4)	145,833		10,492(5)	9,249(6)
Officer and President						
Emmett E. McLean..................	2004	$250,000	$250,000	20,500	$24,385(7)	$15,385(3)
Executive Vice President,	2003	104,167(4)	104,167		--	10,896(8)
Chief Operating Officer, Treasurer and Assistant Secretary						
R. Steven Hamner..................	2004	$250,000	$250,000	27,000	$24,385(7)	$15,385(3)
Executive Vice President	2003	104,167(4)	104,167		--	5,918(9)
and Chief Financial Officer						
William G. McKenzie..............	2004	$175,000	$175,000	15,000	$ --	$ --
Vice Chairman of the Board	2003	72,917(4)	72,917		--	--
Michael G. Stewart................	2004	$ 43,527(10)	$ 42,188	--	$ --	$ --
Executive Vice President,	2003	--	--	--	--	--
Secretary and General Counsel						

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(1) To be awarded upon completion of this offering under our equity incentive plan. These restricted stock awards will vest at a rate of 8.33% per quarter beginning on the last day of the first calendar quarter after completion of this offering so long as each named executive officer remains an employee of ours. Dividends will be paid on the shares of restricted common stock.

(2) Represents a $12,000 automobile allowance and $25,000 payable to Mr. Aldag to reimburse him for the cost of tax preparation and financial planning services and $13,462 to reimburse Mr. Aldag for his tax liabilities associated with such payment.

(3) Represents reimbursement for life insurance premiums of $20,000 for Mr. Aldag and $10,000 for each of Messrs. McLean and Hamner and reimbursement of $10,769 for Mr. Aldag and $5,385 for each of Messrs. McLean and Hamner for tax liabilities associated with such premium reimbursements, but does not include any matching contributions under the 401(k) plan that we expect to adopt in 2004.

(4) For the partial year period from our inception in August 2003 until December 31, 2003.

(5) Represents a $7,000 automobile allowance and $3,492 payable to Mr. Aldag to reimburse him for the cost of tax preparation and financial planning services.

(6) Represents reimbursement for life insurance premiums of $9,249.

(7) Represents a $9,000 automobile allowance and $10,000 for the named executive officers to reimburse them for the cost of tax preparation services and $5,385 for the named executive officers to reimburse them for their tax liabilities associated with such tax preparation cost reimbursement.

(8) Represents reimbursement for life insurance premiums of $10,896.

(9) Represents reimbursement for life insurance premiums of $5,918.

(10) For the partial year period from October 25, 2004, Mr. Stewart's date of hire, to December 31, 2004. Had Mr. Stewart been employed for the full year 2004, he would have been entitled to a base salary of $225,000 during 2004. Mr. Stewart's employment agreement was amended effective April 28, 2005. The amended employment agreement provides for an annual base salary of $250,000.

EMPLOYMENT AGREEMENTS

We have employment agreements with each of the named executive officers. These employment agreements provide the following annual base salaries: Edward K. Aldag, Jr., $350,000; Emmett E. McLean, $250,000; R. Steven Hamner, $250,000; Michael G. Stewart, $250,000; and William G. McKenzie, $175,000. The base salaries for Messrs. Aldag, McLean and Hamner were increased by 5% effective January 1, 2005. On each January 1 hereafter, each of the executive officers is to receive a minimum increase in his base salary equal to the increase in the Consumer Price Index. These agreements provide that the executive officers, other than Mr. McKenzie, agree to devote substantially all of their business time to our operation. The employment agreement for each of the named executive officers is for a three year term which is automatically extended at the end of each year within such term for an additional one year period, unless either party gives notice of non-renewal as provided in the agreement.

These employment agreements permit us to terminate each executive's employment with appropriate notice for or without "cause." "Cause" is generally defined to mean:

- conviction of, or the entry of a plea of guilty or nolo contendere to, a felony (excluding any felony relating to the negligent operation of a motor vehicle or a conviction or plea of guilty or nolo contendere arising under a statutory provision imposing per se criminal liability due to the position held by the executive with us, provided the act or omission of the executive or officer with respect to such matter was not taken or omitted to be taken in contravention of any applicable policy or directive of the board of directors);

- a willful breach of the executive's duty of loyalty which is materially detrimental to us;

- a willful failure to perform or adhere to explicitly stated duties that are consistent with the executive's employment agreement, or the reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, the business code of ethics adopted by the board of directors, or the failure to follow the lawful directives of the board of directors provided such directives are consistent with the terms of the executive's employment agreement, which continues for a period of 30 days after written notice to the executive; and

- gross negligence or willful misconduct in the performance of the executive's duties.

Each of the named executive officers has the right under his employment agreement to resign for "good reason." The following constitute good reason under the employment agreements: (i) the employment agreement is not automatically renewed by the company; (ii) the termination of certain incentive compensation programs; (iii) the termination or diminution of certain employee benefit plans, programs or material fringe benefits (other than for Mr. McKenzie); (iv) the relocation of our principal office outside of a 100 mile radius of Birmingham, Alabama (in the case of Mr. Aldag); or (v) our breach of the employment agreement which continues uncured for 30 days. In addition, in the case of Mr. Aldag, the following constitute good reason: (i) his removal from the board of directors without cause or his failure to be nominated or elected to the board of directors; or (ii) any material reduction in duties, responsibilities or reporting requirements, or the assignment of any duties, responsibilities or reporting requirements that are inconsistent with his positions with us.

The executive employment agreements provide a monthly car allowance of $1,000 for Mr. Aldag and $750 for each of Messrs. McLean, Hamner and Stewart. Messrs. Aldag, McLean, Hamner and Stewart are also reimbursed for the cost of tax preparation and financial planning services, up to $25,000 annually for Mr. Aldag and $10,000 annually for each of Messrs. McLean, Hamner and Stewart. We also reimburse each executive for the income tax he incurs on the receipt of these tax preparation and financial planning services. In addition, the employment agreements provide for annual paid vacation of six weeks for Mr. Aldag and three weeks for Messrs. McLean, Hamner and Stewart and various other customary benefits. The employment agreements also provide that Mr. Aldag will receive up to $20,000 per year in reimbursement for life insurance premiums, which amount is to increase annually based on the increase in the Consumer Price Index for such year, and that Messrs. McLean, Hamner and Stewart will receive up to $10,000 per year in reimbursement for life insurance premiums which amount is to increase annually based on the increase in the Consumer Price Index for such year. We also reimburse each executive for the income tax he incurs on the receipt of these premium reimbursements.

We have the right to obtain a key man life insurance policy for the benefit of the company on the life of each of our executives with a death benefit equal to the death benefit of such executive's whole life policy.

The employment agreements referred to above provide that the executive officers are eligible to receive the same benefits, including medical insurance coverage and retirement plan benefits in a 401(k) plan to the same extent as other similarly situated employees, and such other benefits as are commensurate with their position. Participation in employee benefit plans is subject to the terms of said benefit plans as in effect from time to time.

If the named executive officer's employment ends for any reason, we will pay accrued salary, bonuses and incentive payments already determined, and other existing obligations. In addition, if we terminate the named executive officer's employment without cause or if any of them terminates his employment for good reason, we will be obligated to pay (i) a lump sum payment of severance equal to the sum of (x) the product of three and the sum of the salary in effect at the time of termination plus the average cash bonus (or the highest cash bonus, in the case of Mr. Aldag) paid to such executive during the preceding three years, grossed up for taxes in the case of Mr. Aldag, and (y) the incentive bonus prorated for the year in which the termination occurred, (ii) other than for Mr. McKenzie, the cost of the executive's continued participation in the company's benefit and welfare plans (other than the 401(k) plan) for a three year period (or for a five year period in the case of Mr. Aldag), and (iii) certain other benefits as provided for in the employment agreement. Additionally, in the event of a termination by us for any reason other than cause or by the executive for good reason, all of the options and restricted stock granted to the executive will become fully vested, and the executive will have whatever period remains under the options in which to exercise all vested options.

In the event of a termination of the employment of our executives as a result of death, then in addition to the accrued salary, bonus and incentive payments due to them, they shall become fully vested in their options and restricted stock, and their respective beneficiaries will have whatever period remains under the options to exercise such options. In addition, the executives would be entitled to their prorated incentive bonuses.

In the event the employment of our executives ends as a result of a termination by us for cause or by the executives without good reason, then in addition to the accrued salary, bonuses and incentive payments due to them, the executives would be entitled to exercise their vested stock options pursuant to the terms of the grant, but all other unvested options and restricted stock would be forfeited.

Upon a change of control, the named executive officers will become fully vested in their options and restricted stock and will have whatever period remains under the option in which to exercise their options. In addition, if any executive's employment is terminated by us for cause or by the executive without good reason in connection with a change of control, the executive will be entitled to receive an amount equal to the largest cash compensation paid to the executive for any twelve month period during his tenure multiplied by three. In general terms, a change of control occurs:

- if a person, entity or affiliated group (with certain exceptions) acquires more than 50% of our then-outstanding voting securities;

- if we merge into or complete a share exchange, consolidation or other business combination transaction with another entity unless the holders of our voting stock immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent; or

- upon the liquidation, dissolution, sale or disposition of all or substantially all of our assets such that after that transaction the holders of our voting stock immediately prior to the transaction own less than 50% of the voting securities of the acquiror or its parent.

If payments become due as a result of a change in control and the excise tax imposed by Code Section 4999 applies, the terms of the employment agreements require us to gross up the amount payable to the executive by the amount of this excise tax plus the amount of income and other taxes due as a result of the gross up payment.

For an 18 month period after termination of an executive's employment for any reason other than (i) termination by us without cause or (ii) termination by the executive for good reason, each of the executives under these employment agreements has agreed not to compete with us by working with or investing in, subject to certain limited exceptions, any enterprise engaged in a business substantially similar to our business as it was conducted during the period of the executive's employment with us.

The employment agreements provide that these named executive officers are eligible to participate in our equity incentive plan, as described in the section below titled "Equity Incentive Plan." The employment agreements also provide that the named executive officers are eligible to receive annual bonuses under our bonus policy. See "Annual Incentive Bonus Policy."

BENEFIT PLANS

ANNUAL INCENTIVE BONUS POLICY

We expect our compensation committee to adopt an annual cash incentive bonus policy. This policy will be subject to those provisions in our executive officers' employment agreements that provide that the executives will receive not less than 40% nor more than 100% of their base salaries under the policy. Our compensation committee will reevaluate the annual incentive bonus policy for our executive officers on an annual basis, subject to the maximum and minimum limitations previously described. In addition, the compensation committee may approve any additional bonus awards to any executive officer.

401(K) PLAN

Our board of directors has approved the adoption of a Section 401(k) plan covering our eligible employees. The plan will be a safe harbor plan providing that each participant must complete one year of service before becoming eligible for profit sharing contributions, we will match each dollar, dollar for dollar for the first 3%, then 50% for each dollar of the next 2%, of each participant's salary, participants' elective contributions and safe harbor contributions will be fully vested when made, and profit sharing contributions will vest over six years.

EQUITY INCENTIVE PLAN

We have adopted the Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan, or equity incentive plan, for the purpose of attracting and retaining directors, executive officers and other key employees and consultants, including officers and employees of our operating partnership. The equity incentive plan provides that the aggregate number of shares of common stock as to which awards can be made pursuant to the equity incentive plan is 791,180. On April 25, 2005, our compensation committee awarded 82,000 shares of restricted stock to Mr. Stewart and certain non-management employees. These shares will vest 20% per year over five years beginning on April 25, 2006. There remain 490,680 shares available for awards under the equity incentive plan. We intend to seek stockholder approval of an amendment to the equity incentive plan at our 2005 annual meeting in order to increase the shares of common stock available under the plan.

Awards. The equity incentive plan authorizes the issuance of options to purchase shares of common stock, restricted stock awards, restricted stock units, deferred stock units, stock appreciation rights and performance units. The equity incentive plan contains an award limit on the maximum number of shares of common stock that may be awarded to an individual in any fiscal year of 300,000 shares.

Vesting. Our compensation committee will determine the vesting of options and restricted stock and restricted stock units granted under the equity incentive plan, subject to any different vesting provisions agreed upon in a participant's employment agreement. In addition, our compensation committee will establish a standard vesting schedule for options, restricted stock and restricted stock units subject to any different vesting schedule which is agreed upon in a participant's employment or award agreement.

Options. Each option granted pursuant to the equity incentive plan is designated at the time of grant as either an option intended to qualify as an incentive stock option under Section 422 of the Code, referred to as a qualified incentive option, or as an option that is not intended to so qualify, referred to as a non-qualified option. The equity incentive plan authorizes our compensation committee to grant incentive stock options for common stock in an amount and at an exercise price to be determined by it, provided that the price cannot be less than 100% of the fair market value of the common stock on the date on which the option is granted. If an incentive stock option is granted to a 10% stockholder, additional requirements will apply to the option. The exercise price of non-qualified options will be equal to 100% of the fair market value of common stock on the date the option is granted unless otherwise determined by our compensation committee. The exercise price for any option is generally payable in cash or, in certain circumstances, by the surrender, at the fair market value on the date on which the option is exercised, of shares of our common stock having a value equal to the exercise price. The equity incentive plan provides that exercise may be delayed or prohibited if it would adversely affect our status as a REIT. In addition, the equity incentive plan permits optionholders to exercise their options prior to the date on which the options will vest, subject to Committee action. In such case, the optionholder will, upon payment for the shares, receive restricted stock having vesting terms on transferability that are identical to the vesting terms under the original option and subject to repurchase by us while the restrictions on vesting are in effect.

In connection with certain extraordinary events, the compensation committee may make adjustments in the aggregate number and kind of shares of capital stock reserved for issuance, the number and kind of shares of capital stock covered by outstanding awards and the exercise prices specified therein as may be determined to be appropriate.

Restricted Stock. The equity incentive plan also provides for the grant of restricted stock awards. A restricted stock award is an award of shares of common stock that is subject to restrictions on transferability and other restrictions, if any, as our compensation committee may impose at the date of grant. Shares of restricted common stock are subject to vesting as our compensation committee may approve or as may otherwise be agreed upon in a participant's employment or other award agreement. The restrictions may lapse separately or in combination at the times and under the circumstances, including without limitation, a specified period of employment or the satisfaction of pre-established criteria, in installments or otherwise, as our compensation committee may determine. Except to the extent restricted under the award agreement, a participant granted shares of restricted stock will have all of the rights of a stockholder, including, without limitation, the right to vote and the right to receive dividends on the restricted stock.

Restricted Stock Units and Deferred Stock Units. Under the equity incentive plan, the compensation committee may award restricted stock units and deferred stock units, each for the duration that it determines in its discretion. Each restricted stock unit and each deferred stock unit is equivalent in value to one share of common stock and entitles the participant receiving the award to receive one share of common stock for each restricted stock unit at the end of the vesting period applicable to such restricted stock unit and for each deferred stock unit at the end of the deferral period. Participants are not required to pay any additional consideration in connection with the settlement of restricted stock units or deferred stock units. A holder of restricted stock units or deferred stock units has no voting rights, right to receive cash distributions or other rights as a stockholder until shares of common stock are issued to the holder in settlement of the stock units. However, participants holding restricted stock units or deferred stock units will be entitled to receive dividend equivalents with respect to any payment of cash dividends on an equivalent number of shares of common stock. Such dividend equivalents will be credited in the form of additional stock units.

Performance Units. The equity incentive plan also provides for the grant of performance shares and performance units. Holders of performance units will be entitled to receive payment in cash or shares of our common stock (or in some combination of cash and shares) if the performance goals established by the compensation committee are achieved or the awards otherwise vest. Each performance unit will have an initial value established by the compensation committee. The compensation committee will set performance objectives, and such performance objectives may be based upon the achievement of company-wide, divisional or individual goals.

Stock Appreciation Rights. The equity incentive plan also authorizes our compensation committee to grant stock appreciation rights. Stock appreciation rights are awards that give the recipient the right to receive an amount equal to (1) the number of shares exercised under the right, multiplied by (2) the amount by which our stock price exceeds the exercise price. Payment may be in cash, in shares of our common stock with equivalent value, or in some combination, as determined by the administrator. The compensation committee will determine the exercise price, vesting schedule and other terms and conditions of stock appreciation rights; however, stock appreciation rights expire under the same rules that apply to stock options.

Administration of the Plan. The equity incentive plan is administered by our compensation committee. Mr. Aldag is to make recommendations to the compensation committee as to which consultants, employees, and executive officers, other than himself, will be eligible to participate, subject to compensation committee review and approval. The compensation committee, in its absolute discretion, will determine the effect of an employee's termination on unvested options, restricted common stock and restricted stock units, unless otherwise provided in the equity incentive plan or the participant's employment or award agreement.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

There are no compensation committee interlocks and none of our employees participates on the compensation committee.

INSTITUTIONAL TRADING OF OUR COMMON STOCK

The last sale of our common stock on the Portal(SM) Market occurred on May 25, 2005 at a price of $10.05 per share. Individuals and institutions that sell our common stock are not obligated to report their sales to The Portal(SM) Market. Therefore, the last sales price that was reported on the Portal(SM) Market may not be reflective of sales of our common stock that have occurred and were not reported and may not be indicative of the prices at which our shares of common stock will trade after this offering. The following table shows the high and low sales prices for our common stock for each quarterly period since our common stock became eligible for trading in the Portal(SM) Market:

	HIGH SALES PRICE	LOW SALES PRICE
April 6, 2004 to June 30, 2004	$10.50	$10.00
July 1, 2004 to September 30, 2004	10.00	10.00
October 1, 2004 to December 31, 2004	10.25	10.00
January 1, 2005 to March 31, 2005	10.25	10.00
April 1, 2005 to May 25, 2005	10.25	10.00

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of June 15, 2005 by (i) each of our directors, (ii) each of our executive officers, (iii) all of our directors and executive officers as a group and (iv) each person known to us who is the beneficial owner of more than 5% of our common stock, as adjusted to give effect to the issuance of shares of restricted common stock issuable upon completion of this offering. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power or investment power. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (a) the exercise of any option, warrant or right, (b) the conversion of a security, (c) the power to revoke a trust, discretionary account or similar arrangement, or (d) the automatic termination of a trust, discretionary account or similar arrangement. Each beneficial owner named in the table has the sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table. Unless otherwise indicated, the address of each named beneficial owner is Medical Properties Trust, Inc., 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242.

NAME OF BENEFICIAL OWNER	NUMBER OF COMMON SHARES BENEFICIALLY OWNED	PERCENTAGE OF ALL COMMON SHARES (PRE-OFFERING)(1)	PERCENTAGE OF ALL COMMON SHARES (POST-OFFERING)(1)
Edward K. Aldag, Jr.	282,217(2)	1.08%	
R. Steven Hamner	73,804(3)	*	
William G. McKenzie	97,680(4)	*	
Emmett E. McLean	105,207(5)	*	
Michael G. Stewart	30,000(6)	*	
Virginia A. Clarke	6,666(7)	*	
G. Steven Dawson	33,333(8)	*	
Bryan L. Goolsby	6,666(7)	*	
Robert E. Holmes, Ph.D.	14,333(8)	*	
L. Glenn Orr, Jr.	6,666(7)	*	
All executive officers and directors as a group (10 persons)	655,672(9)	2.50%	
Friedman Billings Ramsey Group, Inc. 1001 Nineteenth St. North Arlington, Virginia 22209	2,842,959(10)	10.90%	

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* Represents less than 1% of the number of shares of common stock outstanding.

(1) Pre-offering calculations assume 26,164,862 shares of common stock outstanding as of June 15, 2005. Post-offering calculations assume shares of common stock outstanding. Shares of common stock that are deemed to be beneficially owned by a stockholder within 60 days after June 15, 2005 are deemed outstanding for purposes of computing such stockholder's percentage ownership but are not deemed outstanding for the purpose of computing the percentage ownership of any other stockholder.

(2) Excludes 43,500 shares of restricted common stock to be awarded upon completion of this offering.

(3) Excludes 27,000 shares of restricted common stock to be awarded upon completion of this offering.

(4) Excludes 15,000 shares of restricted common stock to be awarded upon completion of this offering.

(5) Excludes 20,500 shares of restricted common stock to be awarded upon completion of this offering.

(6) These restricted shares of common stock will vest over five years, at a rate of 20% per year, beginning on April 25, 2006.

(7) Includes 6,666 shares of common stock issuable upon exercise of a vested stock option.

(8) Includes 13,333 shares of common stock issuable upon exercise of a vested stock option.

(9) See notes (1)-(8) above.

(10) Includes 1,795,571 shares of common stock owned directly by Friedman, Billings, Ramsey Group, Inc., the parent company of Friedman, Billings, Ramsey & Co., Inc., 52,388 shares owned directly by Friedman, Billings, Ramsey & Co., Inc. and 995,000 shares held by various investment funds over which Friedman, Billings, Ramsey Group, Inc., through a wholly-owned indirect subsidiary, exercises shared investment and voting power.

We and our founders have agreed that the 521,908 shares of our common stock held by them that were issued in connection with our formation, which excludes the 36,000 shares in the aggregate that they purchased in our April 2004 private placement, will vest upon the effective date of the registration statement of which this prospectus is a part. In addition, a founder's unvested shares will become 100% vested if the founder's employment is terminated by that founder with good reason or by us without cause, upon the founder's death or disability or upon a change of control of the company prior to completion of this offering. A founder's unvested shares will be forfeited if the founder's employment with us is terminated by us for good cause or by the founder without good reason prior to completion of this offering.

SELLING STOCKHOLDERS

The following table sets forth the beneficial ownership of shares of common stock by the selling stockholders as of June 9, 2005, the maximum number of shares of common stock being offered by the selling stockholders under this prospectus and the beneficial ownership of shares of common stock by the selling stockholders on June 9, 2005 as adjusted to give effect to the sale of shares of common stock offered by this prospectus. The SEC has defined "beneficial" ownership of a security to mean the possession, directly or indirectly, of voting power or investment power. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (a) the exercise of any option, warrant or right, (b) the conversion of a security, (c) the power to revoke a trust, discretionary account or similar arrangement, or (d) the automatic termination of a trust, discretionary account or similar arrangement. Shares of common stock may also be sold by donees, pledges or other transferees or successors in interest of the selling stockholder.

Pursuant to a registration rights agreement between us and our existing stockholders, these stockholders have the right to sell in this offering all or a portion of their shares of common stock. In accordance with notices that we received pursuant to these registration rights, we are including 701,823 shares of common stock in this offering. The selling stockholders have agreed that, for a period of 60 days after the date of this prospectus, they will not, directly or indirectly, offer to sell, sell or otherwise dispose of any shares of our common stock or any securities convertible into, or exercisable or exchangeable for, shares of our common stock, other than the shares of common stock sold by the selling stockholders in this offering. The selling stockholders may withdraw their shares of common stock from this offering at any time up until five business days prior to the effective date of the registration statement of which this prospectus is a part.

SELLING STOCKHOLDER	NUMBER OF SHARES BENEFICIALLY OWNED	MAXIMUM NUMBER OF SHARES BEING OFFERED	PERCENTAGE OF ALL SHARES BENEFICIALLY OWNED BEFORE RESALE(1)	BENEFICIAL OWNERSHIP AFTER RESALE OF SHARES: NUMBER OF SHARES	PERCENTAGE(2)
Elm Ridge Value Partners Offshore Fund, Ltd.(3)	407,000	407,000	1.56%	0	*
Elm Ridge Capital Partners, L.P.(3)	266,000	266,000	1.02%	0	*
Elm Ridge Value Partners, L.P.(3)	27,000	27,000	*	0	*
HFR ED Master Performance Trust(4)	1,823	1,823	*	0	*
TOTALS	701,823	701,823	2.58	0	*

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* Represents less than 1%.

(1) Assumes 26,164,862 shares of common stock outstanding as of June 9, 2005.

(2) Assumes 37,529,862 shares of common stock outstanding as of June 9, 2005, including 11,365,000 shares of common stock issued in this offering.

(3) This selling stockholder has advised us that Ron Gutfleish exercises sole voting and investment power over these shares.

(4) This selling stockholder has advised us that John F. Mangan, Jr. exercises sole voting and investment power over these shares.

REGISTRATION RIGHTS AND LOCK-UP AGREEMENTS

REGISTRATION RIGHTS

The purchasers of our common stock in our April 2004 private placement are entitled to the benefits of a registration rights agreement among the purchasers of our stock in that offering, Friedman, Billings, Ramsey & Co., Inc. and us. In accordance with the registration rights agreement, we have agreed to include shares held by four of these purchasers in this offering. At the request of us or the underwriters, the holders of our outstanding common stock not being sold in this offering will be prohibited from selling, contracting to sell or otherwise disposing of or hedging their common stock for specified periods of time following the date of this prospectus. These registration rights and lock-up agreements are described in detail below. The summary of the registration rights agreement is subject to and qualified in its entirety by reference to the registration rights agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

Inclusion of Common Stock in this Offering. On or about November 12, 2004, we sent to all of our stockholders notice that we have filed a registration statement with the SEC for this offering. We sent this notice pursuant to the registration rights agreement among our stockholders, Friedman, Billings, Ramsey & Co., Inc. and us, under which the persons who purchased our common stock in our private placement in April 2004 and their transferees have the right to sell in this offering all or a portion of their common stock, subject to various rights of the underwriters and other conditions referred to below.

Because this offering is underwritten, the registration rights agreement:

- requires the selling stockholders to enter into the underwriting agreement for this offering;

- permits the underwriters, based on marketing factors, to limit the number of shares a selling stockholder may sell in this offering; and

- conditions the selling stockholders' participation in this offering on compliance with applicable provisions of the registration rights agreement.

Resale Registration Statement. Pursuant to the registration rights agreement, we also agreed for the benefit of the holders of shares of common stock sold in our April 2004 private placement or issued to Friedman, Billings, Ramsey & Co., Inc. in connection with our April 2004 private placement, that we would, at our expense, file with the SEC, no later than nine months following the closing of the offering, or January 6, 2005, a resale registration statement permitting the public offering and sale of the registrable securities. The resale registration statement was filed on January 6, 2005. Pursuant to a registration rights agreement between us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, we are required to pay most expenses in connection with the registration of the shares of common stock purchased in the April 2004 private placement. In addition, we will reimburse selling stockholders in an aggregate amount of up to $50,000, for the fees and expenses of one counsel and one accounting firm, as selected by Friedman, Billings, Ramsey & Co., Inc. for the selling stockholders to review any registration statement. Each selling stockholder participating in this offering will bear a proportionate share based on the total number of shares of common stock sold in this offering of all discounts and commissions payable to the underwriters, all transfer taxes and transfer fees and any other expense of the selling stockholders not allocated to us in the registration rights agreement.

In addition, we agreed to use our reasonable best efforts to cause the resale registration statement to become effective under the Securities Act as promptly as practicable after the filing and to maintain the resale registration statement continuously effective under the Securities Act until the first to occur of (1) such time as all of the shares of common stock covered by the resale registration statement have been sold pursuant to the registration statement or pursuant to Rule 144 (or any successor or analogous rule) under the Securities Act, (2) such time as all of the common stock not held by affiliates of us, and covered by the resale registration statement, are eligible for sale pursuant to Rule 144(k) (or any successor or analogous rule) under the Securities Act, (3) such time as the shares of common stock have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer have been delivered by us and subsequent public distribution of such shares does not require registration, or (4) the second annual anniversary of the initial effective date of the resale registration statement.

Notwithstanding the foregoing, we will be permitted, under limited circumstances, to suspend the use, from time to time, of the prospectus that is part of the resale registration statement, and therefore suspend sales under the registration statement, for certain periods, referred to as "blackout periods," if a majority of the independent directors of our board, in good faith, determines that we are in compliance with the terms of the registration rights agreement, that it is in our best interest to suspend the use of the registration statement, and:

- that the offer or sale of any registrable shares would materially impede, delay or interfere with any material proposed acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or similar material transaction;

- after the advice of counsel, sale of the registrable shares would require disclosure of non-public material information not otherwise required to be disclosed under applicable law; and

- disclosure would have a material adverse effect on us or on our ability to close the applicable transaction.

In addition, we may effect a blackout if a majority of independent directors of our board, in good faith, determines that we are in compliance with the terms of the registration rights agreement, that it is in our best interest to suspend the use of the registration statement, and, after advice of counsel, that it is required by law, rule or regulation to supplement the registration statement or file a post-effective amendment for the purposes of:

- including in the registration statement any prospectus required under Section 10(a)(3) of the Securities Act;

- reflecting any facts or events arising after the effective date of the registration statement that represents a fundamental change in information set forth therein; or

- including any material information with respect to the plan of distribution or change to the plan of distribution not set forth therein.

The cumulative blackout periods in any 12 month period commencing on the closing of the offering may not exceed an aggregate of 90 days and furthermore may not exceed 60 days in any 90 day period. We may not institute a blackout period more than three times in any 12 month period. Upon the occurrence of any blackout period, we are to use our reasonable best efforts to take all action necessary to promptly permit resumed use of the registration statement.

If, among other matters, we fail to use our reasonable best efforts to cause the resale registration statement to be declared effective as promptly as possible following its filing or fail to maintain its effectiveness, or, if our board of directors suspends the effectiveness of the resale registration statement in excess of the permitted blackout periods described above, the holders of registrable shares (other than our affiliates) will be entitled to receive liquidated damages from us for the period during which such failures or excess suspensions are continuing. The liquidated damages will accrue daily during the first 90 days of any such period at a rate of $0.25 per registrable share per year and will escalate by $0.25 per registrable share per year at the end of each 90 day period within any such period up to a maximum rate of $1.00 per registrable share per year. The liquidated damages will be payable quarterly, in arrears within ten days after the end of each applicable quarter.

In connection with the registration of the shares sold in the April 2004 private placement, we agreed to use our reasonable best efforts to list our common stock on the NYSE or the Nasdaq National Market and thereafter to maintain the listing.

LOCK-UP AGREEMENTS

All of our directors and executive officers, subject to limited exceptions, have agreed to be bound by lock-up agreements that prohibit these holders from selling or otherwise disposing of any of our common stock or securities convertible into our common stock that they own or acquire for 180 days after the date of this prospectus. In addition, the underwriters will require that all of our stockholders other than our executive officers and directors agree not to sell or otherwise dispose of any of the shares of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus and are not selling in this offering until 60 days after the date of this prospectus, subject to limited exceptions. Friedman, Billings, Ramsey & Co., Inc., on behalf of the underwriters, may, in its discretion, release all or any portion of the common stock subject to the lock-up agreements with our directors and executive officers, at any time and without notice or stockholder approval, in which case our other stockholders would also be released from the restrictions under the registration rights agreement.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

OUR FORMATION

We were formed as a Maryland corporation on August 27, 2003 to succeed to the business of Medical Properties Trust, LLC, a Delaware limited liability company, which was formed by certain of our founders in December 2002. In connection with our formation, we issued our founders 1,630,435 shares of our common stock in exchange for nominal cash consideration and the membership interests of Medical Properties Trust, LLC. Upon completion of our private placement in April 2004, 1,108,527 shares of the 1,630,435 shares of common stock held by our founders were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement.

James P. Bennett was formerly an owner, officer, director and consultant of the company's predecessor, Medical Properties Trust, LLC, but has not been affiliated with us since August 2003. Our predecessor had a consulting agreement with Mr. Bennett pursuant to which he was to be paid a monthly consulting fee, certain fringe benefits and, under certain circumstances, a fee based upon the completion of specified acquisition transactions. We believe we owe Mr. Bennett $411,238. Mr. Bennett disputes this amount and has notified us that he believes he is entitled to be paid consulting fees of approximately $1.6 million. We intend to vigorously defend against this claim.

From time to time, we may acquire or develop facilities in transactions involving prospective tenants in which our directors or executive officers have an interest. In accordance with our written conflicts of interest policy, we do not intend to engage in these transactions without the approval of a majority of our disinterested directors.

OUR STRUCTURE

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any limited partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under applicable Maryland law in connection with their management of our company. At the same time, we, through our wholly owned subsidiary, have fiduciary duties, as a general partner, to our operating partnership and to the limited partners under Delaware law in connection with the management of our operating partnership. Our duties, through our wholly owned subsidiary, as a general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. The partnership agreement of our operating partnership requires us to resolve such conflicts in favor of our stockholders.

Pursuant to Maryland law, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof. However, such transaction will not be void or voidable only if:

- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our board of directors or a committee of our board, and our board or committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

- the material facts relating to the common directorship or interest and as to the transaction are disclosed to our stockholders entitled to vote thereon, and the transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote (other than the votes of shares owned of record or beneficially by the interested director); or

- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Delaware law, where our operating partnership is formed, we, acting through the general partner, have a fiduciary duty to our operating partnership and, consequently, such transactions are also subject to the duties of care and loyalty that we, as a general partner, owe to limited partners in our operating partnership (to the extent such duties have not been eliminated pursuant to the terms of the partnership agreement). Where appropriate, in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion, or engage independent counsel to represent the interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

RELATIONSHIP WITH ONE OF OUR UNDERWRITERS

On November 13, 2003, we entered into an engagement letter agreement with Friedman, Billings, Ramsey & Co., Inc., one of the underwriters of this offering. The engagement letter gives Friedman, Billings, Ramsey & Co., Inc. the right to serve in the following capacities until April 2006:

- as our financial advisor with respect to any future mergers, acquisitions or other business combinations;

- as the sole book running and lead underwriter or sole placement agent in connection with any public or private offering of equity or any public offering of debt securities; and

- as our agent in connection with the exercise of our warrants or options, other than warrants or options held by management or by Friedman, Billings, Ramsey & Co., Inc.

On March 31, 2004, we entered into a Purchase/Placement Agreement with Friedman, Billings, Ramsey & Co., Inc., pursuant to which Friedman, Billings, Ramsey & Co., Inc. acted as initial purchaser and sole placement agent for our April 2004 private placement and received aggregate initial purchaser discounts and placement fees of $17.7 million. In addition, we issued 260,954 shares of our common stock to Friedman, Billings, Ramsey & Co., Inc. as payment for financial advisory services. As of June 15, 2005, Friedman Billings Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc., beneficially owned, directly or indirectly through affiliates, 2,842,959 shares of our common stock or approximately 10.9% of our outstanding common stock. We have an account with Friedman, Billings, Ramsey & Co., Inc. through which we manage approximately $48.3 million of our cash and cash equivalents.

INVESTMENT POLICIES AND POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of our investment policies and our policies with respect to certain other activities, including financing matters and conflicts of interest. These policies may be amended or revised from time to time at the discretion of our board of directors, without a vote of our stockholders. Any change to any of these policies by our board of directors, however, would be made only after a thorough review and analysis of that change, in light of then-existing business and other circumstances, and then only if, in the exercise of its business judgment, our board of directors believes that it is advisable to do so in our and our stockholders' best interests. We cannot assure you that our investment objectives will be attained.

INVESTMENTS IN REAL ESTATE OR INTERESTS IN REAL ESTATE

We conduct our investment activities through our operating partnership and other subsidiaries. Our policy is to acquire or develop assets primarily for current income generation. In general, our investment strategy consists of the following elements:

- Integral Healthcare Real Estate: We acquire and develop net-leased healthcare facilities providing state-of-the-art healthcare services. In our experience, healthcare service providers, including physicians and hospital operating companies, choose to remain in an established location for relatively long periods since changing the location of their physical facilities does not assure that other critical components of the healthcare delivery system, such as laboratory support, access to specialized equipment, patient referral sources, nursing and other professional support, and patient convenience, will continue to be available at the same level of quality and efficiency. Consequently, we believe market conditions will remain favorable for long-term net-leased healthcare facilities, and we do not presently expect high levels of tenant turnover. Moreover, we believe that our partnering approach will afford us the opportunity to play an integral role in the strategic planning process for the financing of replacement facilities and the development of alternative uses for existing facilities.

- Net-lease Strategy: Our healthcare facilities are leased to healthcare operators pursuant to long-term net-lease agreements under which our tenants are responsible for virtually all costs of occupancy, including property taxes, utilities, insurance and maintenance. We believe an important investment consideration is that our leases to healthcare operators provide a means for us to participate in the anticipated growth of the healthcare sector of the United States economy. Our leases generally provide for either contractual annual rent increases ranging from 1.0% to 3.0% and, where feasible and in compliance with applicable healthcare laws and regulations, percentage rent. We expect that such rental rate adjustments will provide us with significant internal growth.

- Diversified Investment Strategy: Our facilities and the Pending Acquisition and Development Facilities are diversified geographically, by service type within the healthcare industry and by types of operator. We have invested and intend to invest in a portfolio of net-leased healthcare facilities providing state-of-the-art healthcare services. Our facilities and Pending Acquisition and Development Facilities include new and established facilities, both small and large facilities, including rehabilitation hospitals, long-term acute care hospitals, ambulatory surgical centers, regional and community hospitals, medical office buildings, skilled nursing facilities and specialized single-discipline facilities. Our facilities are and we expect will continue to be located across the country. In addition, our tenants and prospective tenants are diversified across many healthcare service areas. Because of the expected diversity of our facilities in terms of facility type, geographic location and tenant, we believe that our financial performance is less likely to be materially affected by changes in reimbursement or payment rates by private or public insurers or by changes in local or regional economies.

- Financing Strategy: We intend to employ leverage in our capital structure in amounts we determine from time to time. At present, we intend to limit our debt to approximately 50-60% of the aggregate costs of our facilities, although we may temporarily exceed that level from time to time. We expect our borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans.

There are no limitations on the amount or percentage of our total assets that may be invested in any one facility. Additionally, no limits have been set on the concentration of investments in any one location or facility type or with any one tenant. Our current policy requires the approval of the investment committee of our board of directors for acquisitions or developments of facilities which exceed $10.0 million.

We believe that adherence to the investment strategy outlined above will allow us to achieve the following objectives:

- increase in our stock value through increases in the cash flows and values of our facilities;

- achievement of long-term capital appreciation, and preservation and protection of the value of our interest in our facilities; and

- providing regular cash distributions to our stockholders, a portion of which may constitute a nontaxable return of capital because it will exceed our current and accumulated earnings and profits, as well as providing growth in distributions over time.

INVESTMENTS IN SECURITIES OF OR INTERESTS IN PERSONS PRIMARILY ENGAGED IN REAL ESTATE ACTIVITIES AND OTHER ISSUERS

Generally speaking, we do not expect to engage in any significant investment activities with other entities, although we may consider joint venture investments with other investors or with healthcare service providers. We may also invest in the securities of other issuers in connection with acquisitions of indirect interests in facilities (normally general or limited partnership interests in special purpose partnerships owning facilities). We may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with our investment policies and the REIT qualification requirements. There are no limitations on the amount or percentage of our total assets that may be invested in any one issuer, other than those imposed by the gross income and asset tests that we must satisfy to qualify as a REIT. However, we do not anticipate investing in other issuers of securities for the purpose of exercising control or acquiring any investments primarily for sale in the ordinary course of business or holding any investments with a view to making short-term profits from their sale. In any event, we do not intend that our investments in securities will require us to register as an "investment company" under the Investment Company Act, and we intend to divest securities before any registration would be required.

We do not intend to engage in trading, underwriting, agency distribution or sales of securities of other issuers.

DISPOSITIONS

Although we have no current plans to dispose of any of our facilities, we will consider doing so, subject to REIT qualification rules and prohibited transaction tax, if our management determines that a sale of a facility would be in our best interests based on the price being offered for the facility, the operating performance of the facility, the tax consequences of the sale and other factors and circumstances surrounding the proposed sale. In addition, our tenants have, and we expect that some or all of our prospective tenants will have, the option to acquire the facilities at the end of or, in some cases, during the lease term.

FINANCING POLICIES

We intend to employ leverage in our capital structure in amounts we determine from time to time. At present, we intend to limit our debt to approximately 50-60% of the aggregate costs of our facilities, although we may temporarily exceed those levels from time to time. We expect our borrowings to be a combination of long-term, fixed-rate, non-recourse mortgage loans, variable-rate secured term and revolving credit facilities, and other fixed and variable-rate short to medium-term loans. Our board of directors considers a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of facilities to be acquired, the estimated market value of our facilities and the ability of particular facilities, and our company as a whole, to generate cash flow to cover expected debt service.

Any of this indebtedness may be unsecured or may be secured by mortgages or other interests in our facilities, and may be recourse, non-recourse or cross-collateralized and, if recourse, that recourse may include our general assets and, if non-recourse, may be limited to the particular facility to which the indebtedness relates. In addition, we may invest in facilities subject to existing loans secured by mortgages or similar liens on the facilities, or may refinance facilities acquired on a leveraged basis. We may use the proceeds from any borrowings for working capital, to purchase additional interests in partnerships or joint ventures in which we participate, to refinance existing indebtedness or to finance acquisitions, expansion, redevelopment of existing facilities or development of new facilities. We may also incur indebtedness for other purposes when, in the opinion of our board of directors, it is advisable to do so. In addition, we may need to borrow to meet the taxable income distribution requirements under the Code if we do not have sufficient cash available to meet those distribution requirements.

LENDING POLICIES

We do not have a policy limiting our ability to make loans to persons other than our executive officers. We may consider offering purchase money financing in connection with the sale of facilities where the provision of that financing will increase the value to be received by us for the facility sold. We may make loans to joint ventures in which we may participate in the future. Although we do not intend to engage in significant lending activities in the future, we have and may in the future make acquisition and working capital loans to prospective tenants as well as mortgage loans to other facility owners and other parties. See "Summary -- Loans and Fees Receivable."

EQUITY CAPITAL POLICIES

Subject to applicable law, our board of directors has the authority, without further stockholder approval, to issue additional shares of authorized common stock and preferred stock or otherwise raise capital, including through the issuance of senior securities, in any manner and on the terms and for the consideration it deems appropriate, including in exchange for property. Existing stockholders will have no preemptive right to additional shares issued in any offering, and any offering might cause a dilution of investment. We may in the future issue common stock in connection with acquisitions. We also may issue limited partnership units in our operating partnership or equity interests in other subsidiaries in connection with acquisitions of facilities or otherwise.

Our board of directors may authorize the issuance of preferred stock with terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control in us that might involve a premium price for holders of our common stock or otherwise might be in their best interests. Additionally, any shares of preferred stock could have dividend, voting, liquidation and other rights and preferences that are senior to those of our common stock.

We may, under certain circumstances, purchase our common stock in the open market or in private transactions with our stockholders, if those purchases are approved by our board of directors. Our board of directors has no present intention of causing us to repurchase any shares, and any action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualifying as a REIT.

In the future we may institute a dividend reinvestment plan, which would allow our stockholders to acquire additional common stock by automatically reinvesting their cash dividends. Shares would be acquired pursuant to the plan at a price equal to the then prevailing market price, without payment of brokerage commissions or service charges. Stockholders who do not participate in the plan will continue to receive cash dividends as declared and paid.

CODE OF ETHICS AND CONFLICT OF INTEREST POLICY

We have adopted written policies that are intended to minimize actual or potential conflicts of interest. However, we cannot assure you that these policies will be successful in eliminating the influence of these conflicts. Our code of ethics and business conduct, or code of ethics, requires our directors, officers and employees to conduct themselves in a manner that avoids even the appearance of a conflict of interest, and to discuss any transaction or relationship that reasonably could be expected to give rise to a conflict of interest with our code of ethics contact person. Our code of ethics also addresses insider trading, company funds and property, corporate opportunities and fair dealing.

In addition, we have adopted a policy that requires that all contracts and transactions between us, our operating partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of our disinterested directors.

DESCRIPTION OF CAPITAL STOCK

The following summary of the material provisions of our capital stock is subject to and qualified in its entirety by reference to the Maryland general corporation law, or MGCL, and our charter and bylaws. Copies of our charter and bylaws are filed as exhibits to the registration statement of which this prospectus is a part. We recommend that you review these documents. See "Where You Can Find More Information."

AUTHORIZED STOCK

Our charter authorizes us to issue up to 100,000,000 shares of common stock, par value $.001 per share, and 10,000,000 shares of preferred stock, par value $.001 per share. Upon completion of this offering, there will be 37,529,862 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding. Our charter authorizes our board of directors to increase the aggregate number of authorized shares or the number of shares of any class or series without stockholder approval. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

COMMON STOCK

All shares of our common stock offered hereby will be duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other class or series of stock and to the provisions of our charter regarding the restrictions on transfer of stock, holders of shares of our common stock are entitled to receive dividends on such stock when, as and if authorized by our board of directors out of funds legally available therefor and declared by us and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of our company, including the preferential rights on dissolution of any class or classes of preferred stock.

Subject to the provisions of our charter regarding the restrictions on transfer of stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. There is no cumulative voting in the election of our board of directors. Our directors are elected by a plurality of the votes cast at a meeting of stockholders at which a quorum is present.

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

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

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series.

PREFERRED STOCK

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series. Prior to issuance of shares of each series, our board of directors is required by the MGCL and our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each such series. Thus, our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a change of control transaction that might involve a premium price for holders of our common stock or which holders might believe to otherwise be in their best interest. As of the date hereof, no shares of preferred stock are outstanding, and we have no current plans to issue any preferred stock.

WARRANT

On April 7, 2004, we granted an unregistered warrant for 35,000 shares of common stock, with an exercise price of $9.30 per share, to an unaffiliated third party. The warrant is fully vested, and may be exercised at any time until the first to occur of a sale of all or substantially all of our assets or a similar transaction, the closing of our initial public offering or April 7, 2009. We are required to give the warrantholder notice at least 10 days prior to the closing of this offering.

POWER TO INCREASE AUTHORIZED STOCK AND ISSUE ADDITIONAL SHARES OF OUR COMMON STOCK AND PREFERRED STOCK

We believe that the power of our board of directors, without stockholder approval, to increase the number of authorized shares of stock, issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the common stock, will be available for issuance without further action by our stockholders, unless stockholder consent is required by applicable law or the rules of any national securities exchange or automated quotation system on which our securities may be listed or traded.

RESTRICTIONS ON OWNERSHIP AND TRANSFER

In order for us to qualify as a REIT under the Code, not more than 50% of the value of the outstanding shares of our stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made by us). In addition, if we, or one or more owners (actually or constructively) of 10% or more of our stock, actually or constructively owns 10% or more of a tenant of ours (or a tenant of any partnership in which we are a partner), the rent received by us (either directly or through any such partnership) from such tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. Our stock must also be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made by us).

Our charter contains restrictions on the ownership and transfer of our capital stock that are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, effective upon completion of this offering and subject to the exceptions described below, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Code, more than (i) 9.8% of the number or value, whichever is more restrictive, of the outstanding shares of our common stock or (ii) 9.8% of the number or value, whichever is more restrictive, of the issued and outstanding preferred or other shares of any class or series of our stock. We refer to this restriction as the "ownership limit." The ownership limitation in our charter is more restrictive than the restrictions on ownership of our common stock imposed by the Code.

The ownership attribution rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity could nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding common stock and thereby subject the common stock to the ownership limit.

Our board of directors may, in its sole discretion, waive the ownership limit with respect to one or more stockholders if it determines that such ownership will not jeopardize our status as a REIT (for example, by causing any tenant of ours to be considered a "related party tenant" for purposes of the REIT qualification rules).

As a condition of our waiver, our board of directors may require an opinion of counsel or IRS ruling satisfactory to our board of directors and representations or undertakings from the applicant with respect to preserving our REIT status.

In connection with the waiver of the ownership limit or at any other time, our board of directors may decrease the ownership limit for all other persons and entities; provided, however, that the decreased ownership limit will not be effective for any person or entity whose percentage ownership in our capital stock is in excess of such decreased ownership limit until such time as such person or entity's percentage of our capital stock equals or falls below the decreased ownership limit, but any further acquisition of our capital stock in excess of such percentage ownership of our capital stock will be in violation of the ownership limit. Additionally, the new ownership limit may not allow five or fewer "individuals" (as defined for purposes of the REIT ownership restrictions under the Code) to beneficially own more than 49.5% of the value of our outstanding capital stock.

Our charter generally prohibits:

- any person from actually or constructively owning shares of our capital stock that would result in us being "closely held" under Section 856(h) of the Code; and

- any person from transferring shares of our capital stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our common stock that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing provisions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Pursuant to our charter, if any purported transfer of our capital stock or any other event would otherwise result in any person violating the ownership limits or the other restrictions in our charter, then any such purported transfer will be void and of no force or effect with respect to the purported transferee or owner (collectively referred to hereinafter as the "purported owner") as to that number of shares in excess of the ownership limit (rounded up to the nearest whole share). The number of shares in excess of the ownership limit will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us. The trustee of the trust will be designated by us and must be unaffiliated with us and with any purported owner. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust and all dividends and other distributions paid by us with respect to such "excess" shares prior to the sale by the trustee of such shares shall be paid to the trustee for the beneficiary. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit, then our charter provides that the transfer of the excess shares will be void. Subject to Maryland law, effective as of the date that such excess shares have been transferred to the trust, the trustee shall have the authority (at the trustee's sole discretion and subject to applicable law) (i) to rescind as void any vote cast by a purported owner prior to our discovery that such shares have been transferred to the trust and (ii) to recast such vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust, provided that if we have already taken irreversible action, then the trustee shall not have the authority to rescind and recast such vote.

Shares of our capital stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares of our capital stock at market price, the market price on the day of the event which resulted in the transfer of such shares of our capital stock to the trust) and (ii) the market price on the date we, or our designee, accepts such offer. We have the right to accept such offer until the trustee has sold the shares of our capital stock held in the trust pursuant to the provisions discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the purported owner and any dividends or other distributions held by the trustee with respect to such capital stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the ownership limits. After that, the trustee must distribute to the purported owner an amount equal to the lesser of (i) the net price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the market price on the day of the event which resulted in the transfer of such shares of our capital stock to the trust) and (ii) the net sales proceeds received by the trust for the shares. Any proceeds in excess of the amount distributable to the purported owner will be distributed to the beneficiary.

All persons who own, directly or by virtue of the attribution provisions of the Code, more than 5% (or such other percentage as provided in the regulations promulgated under the Code) of the lesser of the number or value of the shares of our outstanding capital stock must give written notice to us within 30 days after the end of each calendar year. In addition, each stockholder will, upon demand, be required to disclose to us in writing such information with respect to the direct, indirect and constructive ownership of shares of our stock as our board of directors deems reasonably necessary to comply with the provisions of the Code applicable to a REIT, to comply with the requirements or any taxing authority or governmental agency or to determine any such compliance.

All certificates representing shares of our capital stock will bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price over the then prevailing market price for the holders of some, or a majority, of our outstanding shares of common stock or which such holders might believe to be otherwise in their best interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Co.

MATERIAL PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following is a summary of certain provisions of Maryland law and of our charter and bylaws. For a complete description, we refer you to the applicable Maryland laws and to our charter and bylaws, copies of which are exhibits to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

THE BOARD OF DIRECTORS

Our charter and bylaws provide that the number of our directors is to be established by our board of directors but may not be fewer than one nor more than 15. Currently, our board is comprised of eight directors. Any vacancy, other than one resulting from an increase in the number of directors, may be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors, though less than a quorum. Any vacancy resulting from an increase in the number of our directors must 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.

Pursuant to our charter, each member of our board of directors is elected until the next annual meeting of stockholders and until his successor is elected, with the current members' terms expiring at the annual meeting of stockholders to be held in 2005. Holders of shares of our common stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, all of the members of our board of directors will stand for election and our directors will be elected by a plurality of votes cast. Directors may be removed with or without cause by the affirmative vote of two-thirds of the votes entitled to be cast in the election of directors.

BUSINESS COMBINATIONS

Maryland law prohibits "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, certain transfers of assets, certain stock issuances and reclassifications. Maryland law defines an interested stockholder as:

- any person who beneficially owns 10% or more of the voting power of the corporation's voting stock; or

- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation.

A person is not an interested stockholder if the board of directors approves in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving the transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five year prohibition, any business combination between a corporation and an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock; and

- two-thirds of the votes entitled to be cast by holders of the voting stock other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are approved by the board of directors before the time that the interested stockholder becomes an interested stockholder.

As permitted by Maryland law, our charter includes a provision excluding our company from these provisions of the MGCL and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any interested stockholder of ours unless we later amend our charter, with stockholder approval, to modify or eliminate this exclusion provision. We believe that our ownership restrictions will substantially reduce the risk that a stockholder would become an "interested stockholder" within the meaning of the Maryland business combination statute. There can be no assurance, however, that we will not opt into the business combination provisions of the MGCL at a future date.

CONTROL SHARE ACQUISITIONS

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror or by officers or directors who are our employees are excluded from shares entitled to vote on the matter. "Control shares" are voting shares which, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power except solely by virtue of a revocable proxy, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions, including an undertaking to pay expenses, may compel a corporation's board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by Maryland law, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, then all other stockholders are entitled to demand and receive fair value for their stock, or provided for in the "dissenters" rights provisions of the MGCL may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (ii) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our charter contains a provision exempting from the control share acquisition statute any and all acquisitions by any person of our stock. There can be no assurance that we will not opt into the control share acquisition provisions of the MGCL in the future.

MARYLAND UNSOLICITED TAKEOVERS ACT

Maryland law also permits Maryland corporations that are subject to the Exchange Act and have at least three outside directors to elect by resolution of the board of directors or by provision in its charter or bylaws to be subject to some corporate governance provisions that may be inconsistent with the corporation's charter and bylaws. Under the applicable statute, a board of directors may classify itself without the vote of stockholders. A board of directors classified in that manner cannot be altered by amendment to the charter of the corporation. Further, the board of directors may, by electing into applicable statutory provisions and notwithstanding the charter or bylaws:

- provide that a special meeting of the stockholders will be called only at the request of stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting;

- reserve for itself the right to fix the number of directors;

- provide that a director may be removed only by the vote of the holders of two-thirds of the stock entitled to vote;

- retain for itself sole authority to fill vacancies created by the death, removal or resignation of a director; and

- provide that all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors, in office, even if the remaining directors do not constitute a quorum for the remainder of the full term of the class of directors in which the vacancy occurred.

A board of directors may implement all or any of these provisions without amending the charter or bylaws and without stockholder approval. A corporation may be prohibited by its charter or by resolution of its board of directors from electing any of the provisions of the statute. We are not prohibited from implementing any or all of these provisions. While certain of these provisions are already addressed by our charter and bylaws, the law would permit our board of directors to override further changes to the charter or bylaws. If implemented, these provisions could discourage offers to acquire our stock and could increase the difficulty of completing an offer.

AMENDMENT TO OUR CHARTER

Our charter may be amended only if declared advisable by the board of directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter, except that our board of directors is able, without stockholder approval, to amend our charter to change our corporate name or the name or designation or par value of any class or series of stock.

DISSOLUTION OF OUR COMPANY

A voluntary dissolution of our company must be declared advisable by a majority of the entire board of directors and approved by the affirmative vote of the holders of at least two-thirds of all of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Our bylaws provide that:

- with respect to an annual meeting of stockholders, the only business to be considered and the only proposals to be acted upon will be those properly brought before the annual meeting:

  - pursuant to our notice of the meeting;

- by, or at the direction of, a majority of our board of directors; or

- by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws;

- with respect to special meetings of stockholders, only the business specified in our company's notice of meeting may be brought before the meeting of stockholders unless otherwise provided by law; and

- nominations of persons for election to our board of directors at any annual or special meeting of stockholders may be made only:

  - by, or at the direction of, our board of directors; or

  - by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws.

Generally, under our bylaws, a stockholder seeking to nominate a director or bring other business before our annual meeting of stockholders must deliver a notice to our secretary not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the date of mailing of the notice to stockholders for the prior year's annual meeting. For a stockholder seeking to nominate a candidate for our board of directors, the notice must describe various matters regarding the nominee, including name, address, occupation and number of shares of common stock held, and other specified matters. For a stockholder seeking to propose other business, the notice must include a description of the proposed business, the reasons for the proposal and other specified matters.

INDEMNIFICATION AND LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter limits the personal liability of our directors and officers for monetary damages to the fullest extent permitted under current Maryland law, and our charter and bylaws provide that a director or officer shall be indemnified to the fullest extent required or permitted by Maryland law from and against any claim or liability to which such director or officer may become subject by reason of his or her status as a director or officer of our company. Maryland law allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in connection with any proceeding to which they may be made a party by reason of their service on those or other capacities unless the following can be established:

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful on the merits or otherwise, in the defense of any claim to which he or she is made a party by reason of his or her service in that capacity.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and

- a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

Our charter authorizes us to obligate ourselves to indemnify and our bylaws do obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director or officer who is made a party to the proceeding by reason of his or her service in that capacity; or

- any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above.

Our stockholders have no personal liability for indemnification payments or other obligations under any indemnification agreements or arrangements. However, indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals.

This provision for indemnification of our directors and officers does not limit a stockholder's ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us or to our stockholders, although these equitable remedies may not be effective in some circumstances.

In addition to any indemnification to which our directors and officers are entitled pursuant to our charter and bylaws and the MGCL, our charter and bylaws provide that, with the approval of our board of directors, we may indemnify other employees and agents to the fullest extent permitted under Maryland law, whether they are serving us or, at our request, any other entity.

We have entered into indemnification agreements with each of our directors and executive officers, and we maintain a directors and officers liability insurance policy. See "Management -- Limited Liability and Indemnification."

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

PARTNERSHIP AGREEMENT

The following is a summary of the material terms of the first amended and restated agreement of limited partnership of our operating partnership. This summary is subject to and qualified in its entirety by reference to the first amended and restated agreement of limited partnership of our operating partnership, a copy of which is an exhibit to the registration statement of which this prospectus is a part. See "Where You Can Find More Information."

MANAGEMENT OF OUR OPERATING PARTNERSHIP

MPT Operating Partnership, L.P., our operating partnership, was organized as a Delaware limited partnership on September 10, 2003. The initial partnership agreement was entered into on that date and amended and restated on March 1, 2004. Pursuant to the partnership agreement, as the owner of the sole general partner of the operating partnership, Medical Properties Trust, LLC, we have, subject to certain protective rights of limited partners described below, full, exclusive and complete responsibility and discretion in the management and control of the operating partnership. We have the power to cause the operating partnership to enter into certain major transactions, including acquisitions, dispositions, refinancings and selection of tenants, and to cause changes in the operating partnership's line of business and distribution policies. However, any amendment to the partnership agreement that would affect the redemption rights of the limited partners or otherwise adversely affect the rights of the limited partners requires the consent of limited partners, other than us, holding more than 50% of the units of our operating partnership held by such partners.

TRANSFERABILITY OF INTERESTS

We may not voluntarily withdraw from the operating partnership or transfer or assign our interest in the operating partnership or engage in any merger, consolidation or other combination, or sale of substantially all of our assets, in a transaction which results in a change of control of our company unless:

- we receive the consent of limited partners holding more than 50% of the partnership interests of the limited partners, other than those held by our company or its subsidiaries;

- as a result of such transaction, all limited partners will have the right to receive for each partnership unit an amount of cash, securities or other property equal in value to the greatest amount of cash, securities or other property paid in the transaction to a holder of one share of our common stock, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of our common stock, each holder of partnership units shall be given the option to exchange its partnership units for the greatest amount of cash, securities or other property that a limited partner would have received had it (i) exercised its redemption right (described below) and (ii) sold, tendered or exchanged pursuant to the offer shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or

- we are the surviving entity in the transaction and either (i) our stockholders do not receive cash, securities or other property in the transaction or (ii) all limited partners receive for each partnership unit an amount of cash, securities or other property having a value that is no less than the greatest amount of cash, securities or other property received in the transaction by our stockholders.

We also may merge with or into or consolidate with another entity if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity, other than partnership units held by us, are contributed, directly or indirectly, to the partnership as a capital contribution in exchange for partnership units with a fair market value equal to the value of the assets so contributed as determined by the survivor in good faith and (ii) the survivor expressly agrees to assume all of our obligations under the partnership agreement and the partnership agreement shall be amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon exercise of the redemption right that approximates the existing method for such calculation as closely as reasonably possible.

We also may (i) transfer all or any portion of our general partnership interest to (A) a wholly-owned subsidiary or (B) a parent company, and following such transfer may withdraw as general partner and (ii) engage in a transaction required by law or by the rules of any national securities exchange or automated quotation system on which our securities may be listed or traded.

CAPITAL CONTRIBUTION

We contributed to our operating partnership substantially all the net proceeds of our April 2004 private placement as a capital contribution in exchange for units of the operating partnership. The partnership agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from borrowing or capital contributions, we may borrow such funds from a financial institution or other lender and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. Under the partnership agreement, we are obligated to contribute the proceeds of any offering of shares of our company's stock as additional capital to the operating partnership. We are authorized to cause the operating partnership to issue partnership interests for less than fair market value if we have concluded in good faith that such issuance is in both the operating partnership's and our best interests. If we contribute additional capital to the operating partnership, we will receive additional partnership units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by us. In addition, if we contribute additional capital to the operating partnership, we will revalue the property of the operating partnership to its fair market value, as determined by us, and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property, that has not been reflected in the capital accounts previously, would be allocated among the partners under the terms of the partnership agreement if there were a taxable disposition of such property for its fair market value, as determined by us, on the date of the revaluation. The operating partnership may issue preferred partnership interests, in connection with acquisitions of property or otherwise, which could have priority over common partnership interests with respect to distributions from the operating partnership, including the partnership interests that our wholly-owned subsidiary owns as general partner.

REDEMPTION RIGHTS

Pursuant to Section 8.04 of the partnership agreement, the limited partners, other than us, will receive redemption rights, which will enable them to cause the operating partnership to redeem their limited partnership units in exchange for cash or, at our option, shares of our common stock on a one-for-one basis, subject to adjustment for stock splits, dividends, recapitalization and similar events. Currently, we own 100% of the issued limited partnership units of our operating partnership. Under Section 8.04 of our partnership agreement, holders of limited partnership units will be prohibited from exercising their redemption rights for 12 months after they are issued, unless this waiting period is waived or shortened by our board of directors. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, common stock in excess of the stock ownership limit in our charter;

- result in our shares of stock being owned by fewer than 100 persons (determined without reference to any rules of attribution);

- result in our being "closely held" within the meaning of Section 856(h) of the Code;

- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant of our or the partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code; or

- cause the acquisition of common stock by such redeeming limited partner to be "integrated" with any other distribution of common stock for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive any of these restrictions.

With respect to the partnership units issuable in connection with the acquisition or development of our facilities, the redemption rights may be exercised by the limited partners at any time after the first anniversary of our acquisition of these facilities; provided, however, unless we otherwise agree:

- a limited partner may not exercise the redemption right for fewer than 1,000 partnership units or, if such limited partner holds fewer than 1,000 partnership units, the limited partner must redeem all of the partnership units held by such limited partner;

- a limited partner may not exercise the redemption right for more than the number of partnership units that would, upon redemption, result in such limited partner or any other person owning, directly or indirectly, common stock in excess of the ownership limitation in our charter; and

- a limited partner may not exercise the redemption right more than two times annually.

We currently hold all the outstanding interests in our operating partnership and, accordingly, there are currently no units of our operating partnership subject to being redeemed in exchange for shares of our common stock. The number of shares of common stock issuable upon exercise of the redemption rights will be adjusted to account for stock splits, mergers, consolidations or similar pro rata stock transactions.

The partnership agreement requires that the operating partnership be operated in a manner that enables us to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed by the Code (other than any federal income tax liability associated with our retained capital gains) and to ensure that the partnership will not be classified as a "publicly traded partnership" taxable as a corporation under Section 7704 of the Code.

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence;

- all expenses relating to offerings and registration of securities;

- all expenses associated with the preparation and filing of any of our periodic reports under federal, state or local laws or regulations;

- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and

- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

DISTRIBUTIONS

The partnership agreement provides that the operating partnership will distribute cash from operations, including net sale or refinancing proceeds, but excluding net proceeds from the sale of the operating partnership's property in connection with the liquidation of the operating partnership, at such time and in such amounts as determined by us in our sole discretion, to us and the limited partners in accordance with their respective percentage interests in the operating partnership.

Upon liquidation of the operating partnership, after payment of, or adequate provision for, debts and obligations of the partnership, including any partner loans, any remaining assets of the partnership will be distributed to us and the limited partners with positive capital accounts in accordance with their respective positive capital account balances.

ALLOCATIONS

Profits and losses of the partnership, including depreciation and amortization deductions, for each fiscal year generally are allocated to us and the limited partners in accordance with the respective percentage interests in the partnership. All of the foregoing allocations are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Code and Treasury regulations promulgated thereunder. The operating partnership expects to use the "traditional method" under Section 704(c) of the Code for allocating items with respect to contributed property acquired in connection with the offering for which the fair market value differs from the adjusted tax basis at the time of contribution.

TERM

The operating partnership will have perpetual existence, or until sooner dissolved upon:

- our bankruptcy, dissolution, removal or withdrawal, unless the limited partners elect to continue the partnership;

- the passage of 90 days after the sale or other disposition of all or substantially all the assets of the partnership; or

- an election by us in our capacity as the owner of the sole general partner of the operating partnership.

TAX MATTERS

Pursuant to the partnership agreement, the general partner is the tax matters partner of the operating partnership. Accordingly, through our ownership of the general partner of the operating partnership, we have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the current material federal income tax consequences to our company and to our stockholders generally resulting from the treatment of our company as a REIT. Because this section is a general summary, it does not address all of the potential tax issues that may be relevant to you in light of your particular circumstances. Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C., or Baker Donelson, has acted as our counsel, has reviewed this summary, and is of the opinion that the discussion contained herein fairly summarizes the federal income tax consequences that are material to a holder of shares of our common stock. The discussion does not address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders that are subject to special treatment under the federal income tax laws, such as insurance companies, tax-exempt organizations (except to the limited extent discussed in "-- Taxation of Tax-Exempt Stockholders"), financial institutions or broker-dealers, and non-United States individuals and foreign corporations (except to the limited extent discussed in "-- Taxation of Non-United States Stockholders").

The statements in this section and the opinion of Baker Donelson, referred to as the Tax Opinion, are based on the current federal income tax laws governing qualification as a REIT. We cannot assure you that new laws, interpretations of law or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in those opinions.

This section is not a substitute for careful tax planning. We urge you to consult your own tax advisors regarding the specific federal state, local, foreign and other tax consequences to you, in light of your own particular circumstances, of the purchase, ownership and disposition of shares of our common stock, our election to be taxed as a REIT and the effect of potential changes in applicable tax laws.

TAXATION OF OUR COMPANY

We were previously taxed as a subchapter S corporation. We revoked our subchapter S election on April 6, 2004 and we will elect to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year that began on April 6, 2004 and ended on December 31, 2004. Our counsel has opined that, for federal income tax purposes, we are and have been organized in conformity with the requirements for qualification to be taxed as a REIT under the Code commencing with our initial short taxable year ended December 31, 2004, and that our current and proposed method of operations as described in this prospectus and as represented to our counsel by us satisfies currently, and will enable us to continue to satisfy in the future, the requirements for such qualification and taxation as a REIT under the Code for future taxable years. This opinion, however, is based upon factual assumptions and representations made by us.

We believe that our proposed future method of operation will enable us to qualify as a REIT. However, no assurances can be given that our beliefs or expectations will be fulfilled, as such qualification and taxation as a REIT depend upon our ability to meet, for each taxable year, various tests imposed under the Code as discussed below. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that falls within specified categories, the diversity of our stock ownership, and the percentage of our earnings that we distribute. Baker Donelson will not review our compliance with those tests on a continuing basis. Accordingly, with respect to our current and future taxable years, no assurance can be given that the actual results of our operation will satisfy such requirements. For a discussion of the tax consequences of our failure to qualify as a REIT. See "-- Failure to Qualify."

The sections of the Code relating to qualification and operation as a REIT, and the federal income taxation of a REIT and its stockholders, are highly technical and complex. The following discussion sets forth only the material aspects of those sections. This summary is qualified in its entirety by the applicable Code provisions and the related rules and regulations.

If we qualify as a REIT, we generally will not be subject to federal income tax on the taxable income that we distribute to our stockholders. The benefit of that tax treatment is that it avoids the "double taxation," or taxation at both the corporate and stockholder levels, that generally results from owning stock in a corporation. However, we will be subject to federal tax in the following circumstances:

- We are subject to the corporate federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.

- We are subject to the corporate "alternative minimum tax" on any items of tax preference that we do not distribute or allocate to stockholders.

- We are subject to tax, at the highest corporate rate, on:

  - net income from the sale or other disposition of property acquired through foreclosure ("foreclosure property") that we hold primarily for sale to customers in the ordinary course of business, and

  - other non-qualifying income from foreclosure property.

- We are subject to a 100% tax on net income from sales or other dispositions of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business.

- If we fail to satisfy the 75% gross income test or the 95% gross income test, as described below under "-- Requirements for Qualification -- Gross Income Tests," but nonetheless continue to qualify as a REIT because we meet other requirements, we will be subject to a 100% tax on:

  - the greater of (i) the amount by which we fail the 75% test, or (ii) the excess of 90% (95% for taxable years beginning on and after January 1, 2005) of our gross income over the amount of gross income attributable to sources that qualify under the 95% test, multiplied by

  - a fraction intended to reflect our profitability.

- If we fail to distribute during a calendar year at least the sum of: (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT capital gain net income for the year, and (iii) any undistributed taxable income from earlier periods, then we will be subject to a 4% excise tax on the excess of the required distribution over the amount we actually distributed.

- If we fail to satisfy one or more requirements for REIT qualification during a taxable year beginning on or after January 1, 2005, other than a gross income test or an asset test, we will be required to pay a penalty of $50,000 for each such failure.

- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a United States stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gain to the stockholder) and would receive a credit or refund for its proportionate share of the tax we paid.

- We may be subject to a 100% excise tax on certain transactions with a taxable REIT subsidiary that are not conducted at arm's-length.

- If we acquire any asset from a "C corporation" (that is, a corporation generally subject to the full corporate-level tax) in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the hands of the C corporation, and we recognize gain on the disposition of the asset during the 10 year period beginning on the date that we acquired the asset, then the asset's "built-in" gain will be subject to tax at the highest regular corporate rate.

REQUIREMENTS FOR QUALIFICATION

To qualify as a REIT, we must elect to be treated as a REIT, and we must meet various (i) organizational requirements, (ii) gross income tests, (iii) asset tests, and (iv) annual distribution requirements.

Organizational Requirements. A REIT is a corporation, trust or association that meets each of the following requirements:

(1) it is managed by one or more trustees or directors;

(2) its beneficial ownership is evidenced by transferable stock, or by transferable certificates of beneficial interest;

(3) it would be taxable as a domestic corporation, but for its election to be taxed as a REIT under Sections 856 through 860 of the Code;

(4) it is neither a financial institution nor an insurance company subject to special provisions of the federal income tax laws;

(5) at least 100 persons are beneficial owners of its stock or ownership certificates (determined without reference to any rules of attribution);

(6) not more than 50% in value of its outstanding stock or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the federal income tax laws define to include certain entities, during the last half of any taxable year; and

(7) it elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status.

We must meet requirements one through four during our entire taxable year and must meet requirement five during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. If we comply with all the requirements for ascertaining information concerning the ownership of our outstanding stock in a taxable year and have no reason to know that we violated requirement six, we will be deemed to have satisfied requirement six for that taxable year. We do not have to satisfy requirements five and six for our taxable year ending December 31, 2004. After the issuance of common stock pursuant to our April 2004 private placement we had issued common stock with enough diversity of ownership to satisfy requirements five and six as set forth above. Our charter provides for restrictions regarding the ownership and transfer of our shares of common stock so that we should continue to satisfy these requirements. The provisions of our charter restricting the ownership and transfer of our shares of common stock are described in "Description of Capital Stock -- Restrictions on Ownership and Transfer."

For purposes of determining stock ownership under requirement six, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the federal income tax laws, and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of requirement six.

A corporation that is a "qualified REIT subsidiary," or QRS, is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction and credit of a QRS are treated as assets, liabilities, and items of income, deduction and credit of the REIT. A QRS is a corporation, all of the capital stock of which is owned by the REIT. Thus, in applying the requirements described herein, any QRS that we own will be ignored, and all assets, liabilities, and items of income, deduction and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction and credit.

An unincorporated domestic entity, such as a partnership, that has a single owner, generally is not treated as an entity separate from its parent for federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Thus, our proportionate share of the assets, liabilities and items of income of our operating partnership and any other partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which we acquire an interest, directly or indirectly, is treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

A REIT is permitted to own up to 100% of the stock of one or more "taxable REIT subsidiaries." A taxable REIT subsidiary is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly file an election with the IRS to treat the subsidiary as a taxable REIT subsidiary. A taxable REIT subsidiary will pay income tax at regular corporate rates on any income that it earns. In addition, the taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on certain types of transactions between a taxable REIT subsidiary and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis. We may engage in activities indirectly through a taxable REIT subsidiary as necessary or convenient to avoid obtaining the benefit of income or services that would jeopardize our REIT status if we engaged in the activities directly. In particular, we would likely engage in activities through a taxable REIT subsidiary if we wished to provide services to unrelated parties which might produce income that does not qualify under the gross income tests described below. We might also dispose of an unwanted asset through a taxable REIT subsidiary as necessary or convenient to avoid the 100% tax on income from prohibited transactions. See description below under "Prohibited Transactions." A taxable REIT subsidiary may not operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider which is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility. We have formed and made a taxable REIT subsidiary election with respect to MPT Development Services, Inc., a Delaware corporation formed in January 2004. We may form or acquire one or more additional taxable REIT subsidiaries in the future. See "Federal Income Tax Considerations -- Income Taxation of the Partnerships and the Partners -- Taxable REIT Subsidiaries."

Gross Income Tests. We must satisfy two gross income tests annually to maintain our qualification as a REIT. First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property;

- interest on debt secured by mortgages on real property, or on interests in real property;

- dividends or other distributions on, and gain from the sale of, shares in other REITs;

- gain from the sale of real estate assets;

- income derived from the temporary investment of new capital that is attributable to the issuance of our shares of common stock or a public offering of our debt with a maturity date of at least five years and that we receive during the one year period beginning on the date on which we received such new capital; and

- gross income from foreclosure property.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of stock or securities, income from certain hedging instruments or any combination of these. Gross income from our sale of property that we hold primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both income tests. In addition, for taxable years beginning on and after January 1, 2005, income and gain from "hedging transactions" that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets and that are clearly and timely identified as such also will be excluded from both the numerator and the denominator for purposes of the 95% gross income test (but not the 75% gross income test). The following paragraphs discuss the specific application of the gross income tests to us.

Rents from Real Property. Rent that we receive from our real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met.

First, the rent must not be based in whole or in part on the income or profits of any person. Participating rent, however, will qualify as "rents from real property" if it is based on percentages of receipts or sales and the percentages:

- are fixed at the time the leases are entered into;

- are not renegotiated during the term of the leases in a manner that has the effect of basing rent on income or profits; and

- conform with normal business practice.

More generally, the rent will not qualify as "rents from real property" if, considering the relevant lease and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the rent on income or profits. We have represented to Baker Donelson that we intend to set and accept rents which are fixed dollar amounts or a fixed percentage of gross revenue, and not determined to any extent by reference to any person's income or profits, in compliance with the rules above.

Second, we must not own, actually or constructively, 10% or more of the stock or the assets or net profits of any tenant, referred to as a related party tenant, other than a taxable REIT subsidiary. Failure to adhere to this limitation would cause the rental income from the related party tenant to not be treated as qualifying income for purposes of the REIT gross income tests. The constructive ownership rules generally provide that, if 10% or more in value of our stock is owned, directly or indirectly, by or for any person, we are considered as owning the stock owned, directly or indirectly, by or for such person. We do not own any stock or any assets or net profits of any tenant directly. In addition, our charter prohibits transfers of our shares that would cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant. We should not own, actually or constructively, 10% or more of any tenant other than a taxable REIT subsidiary. We have represented to counsel that we will not rent any facility to a related-party tenant. However, because the constructive ownership rules are broad and it is not possible to monitor continually direct and indirect transfers of our shares, no absolute assurance can be given that such transfers or other events of which we have no knowledge will not cause us to own constructively 10% or more of a tenant other than a taxable REIT subsidiary at some future date. MPT Development Services, Inc., our taxable REIT subsidiary, has made loans to Vibra Healthcare, LLC, the parent entity of our tenants, in an aggregate amount of approximately $41.4 million to acquire the operations at certain facilities. MPT Development Services, Inc. also made a loan of approximately $6.2 million to Vibra and its subsidiaries for working capital purposes which was repaid in February 2005. We believe that the loans to Vibra will be treated as debt rather than equity interests in Vibra, and that our rental income from Vibra will be treated as qualifying income for purposes of the REIT gross income tests. However, there can be no assurance that the IRS will not take a contrary position. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a related party tenant with respect to our company, the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross income tests, and we could lose our REIT status. However, as stated above, we believe that the loans to Vibra will be treated as debt rather than equity interests in Vibra.

As described above, we currently own 100% of the stock of MPT Development Services, Inc., a taxable REIT subsidiary, and may in the future own up to 100% of the stock of one or more additional taxable REIT subsidiaries. Under an exception to the related-party tenant rule described in the preceding paragraph, rent that we receive from a taxable REIT subsidiary will qualify as "rents from real property" as long as (i) the taxable REIT subsidiary is a qualifying taxable REIT subsidiary (among other things, it does not operate or manage a healthcare facility), (ii) at least 90% of the leased space in the facility is leased to persons other than taxable REIT subsidiaries and related party tenants, and (iii) the amount paid by the taxable REIT subsidiary to rent space at the facility is substantially comparable to rents paid by other tenants of the facility for comparable space. If in the future we receive rent from a taxable REIT subsidiary, we will seek to comply with this exception.

Third, the rent attributable to the personal property leased in connection with a lease of real property must not be greater than 15% of the total rent received under the lease. The rent attributable to personal property under a lease is the amount that bears the same ratio to total rent under the lease for the taxable year as the average of the fair market values of the leased personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property covered by the lease at the beginning and at the end of such taxable year (the "personal property ratio"). With respect to each of our leases, we believe that the personal property ratio generally will be less than 15%. Where that is not, or may in the future not be, the case, we believe that any income attributable to personal property will not jeopardize our ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus lose our REIT status.

Fourth, we cannot furnish or render noncustomary services to the tenants of our facilities, or manage or operate our facilities, other than through an independent contractor who is adequately compensated and from whom we do not derive or receive any income. However, we need not provide services through an "independent contractor," but instead may provide services directly to our tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the tenants of a facility, other than through an independent contractor, as long as our income from the services does not exceed 1% of our income from the related facility. Finally, we may own up to 100% of the stock of one or more taxable REIT subsidiaries, which may provide noncustomary services to our tenants without tainting our rents from the related facilities. We do not intend to perform any services other than customary ones for our tenants, other than services provided through independent contractors or taxable REIT subsidiaries. We have represented to Baker Donelson that we will not perform noncustomary services which would jeopardize our REIT status.

Finally, in order for the rent payable under the leases of our properties to constitute "rents from real property," the leases must be respected as true leases for federal income tax purposes and not treated as service contracts, joint ventures, financing arrangements, or another type of arrangement. We generally treat our leases with respect to our properties as true leases for federal income tax purposes. We believe that our lease of the Desert Valley Facility is a true lease; however, because of the nature of the lessee's purchase option thereunder, there can be no assurance that the IRS would not consider this lease a financing arrangement instead of a true lease for federal income tax purposes. In that case, our income from the lease of the Desert Valley Facility would be interest income rather than rent and would be qualifying income for purposes of the 75% gross income test to the extent that our "loan" does not exceed the fair market value of the real estate assets associated with the Desert Valley Facility. All of the interest income from our loan would be qualifying income for purposes of the 95% gross income test. We believe that the characterization of the Desert Valley Facility lease as a financing arrangement would not adversely affect our ability to qualify as a REIT.

If a portion of the rent we receive from a facility does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. If rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of our gross income during the year, we would lose our REIT status. By contrast, in the following circumstances, none of the rent from a lease of a facility would qualify as "rents from real property": (i) the rent is considered based on the income or profits of the tenant; (ii) the tenant is a related party tenant or fails to qualify for the exception to the related-party tenant rule for qualifying taxable REIT subsidiaries; or (iii) we furnish more than a de minimis amount of noncustomary services to the tenants of the facility, or manage or operate the facility, other than through a qualifying independent contractor or a taxable REIT subsidiary. In any of these circumstances, we could lose our REIT status because we would be unable to satisfy either the 75% or 95% gross income test.

Tenants may be required to pay, besides base rent, reimbursements for certain amounts we are obligated to pay to third parties (such as a tenant's proportionate share of a facility's operational or capital expenses), penalties for nonpayment or late payment of rent or additions to rent. These and other similar payments should qualify as "rents from real property."

Interest. The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of the amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely because it is based on a fixed percentage or percentages of receipts or sales. Furthermore, to the extent that interest from a loan that is based upon the residual cash proceeds from the sale of the property securing the loan constitutes a "shared appreciation provision," income attributable to such participation feature will be treated as gain from the sale of the secured property.

Fee Income. We may receive various fees in connection with our operations. The fees will be qualifying income for purposes of both the 75% and 95% gross income tests if they are received in consideration for entering into an agreement to make a loan secured by real property and the fees are not determined by income and profits. Other fees are not qualifying income for purposes of either gross income test. Any fees earned by MPT Development Services, Inc., our taxable REIT subsidiary, will not be included for proposes of the gross income tests. We anticipate that MPT Development Services, Inc. will receive most of the management fees, inspection fees, and construction fees in connection with our operations.

Prohibited Transactions. A REIT will incur a 100% tax on the net income derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our assets will be held primarily for sale to customers and that a sale of any of our assets will not be in the ordinary course of our business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. Nevertheless, we will attempt to comply with the terms of safe-harbor provisions in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. We cannot assure you, however, that we can comply with the safe-harbor provisions or that we will avoid owning property that may be characterized as property that we hold "primarily for sale to customers in the ordinary course of a trade or business." We may form or acquire a taxable REIT subsidiary to hold and dispose of those facilities we conclude may not fall within the safe-harbor provisions.

Foreclosure Property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property acquired by a REIT as the result of the REIT's having bid on the property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law after actual or imminent default on a lease of the property or on indebtedness secured by the property, or a "Repossession Action." Property acquired by a Repossession Action will not be considered "foreclosure property" if (i) the REIT held or acquired the property subject to a lease or securing indebtedness for sale to customers in the ordinary course of business or (ii) the lease or loan was acquired or entered into with intent to take Repossession Action or in circumstances where the REIT had reason to know a default would occur. The determination of such intent or reason to know must be based on all relevant facts and circumstances. In no case will property be considered "foreclosure property" unless the REIT makes a proper election to treat the property as foreclosure property.

Foreclosure property includes any qualified healthcare property acquired by a REIT as a result of a termination of a lease of such property (other than a termination by reason of a default, or the imminence of a default, on the lease). A "qualified healthcare property" means any real property, including interests in real property, and any personal property incident to such real property which is a healthcare facility or is necessary or incidental to the use of a healthcare facility. For this purpose, a healthcare facility means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease secured by such facility, was operated by a provider of such services which was eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility.

However, a REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property (or, in the case of a qualified healthcare property which becomes foreclosure property because it is acquired by a REIT as a result of the termination of a lease of such property, at the end of the second taxable year following the taxable year in which the REIT acquired such property) or longer if an extension is granted by the Secretary of the Treasury. This period (as extended, if applicable) terminates, and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;

- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or

- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income. For this purpose, in the case of a qualified healthcare property, income derived or received from an independent contractor will be disregarded to the extent such income is attributable to (i) a lease of property in effect on the date the REIT acquired the qualified healthcare property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date) or (ii) any lease of property entered into after such date if, on such date, a lease of such property from the REIT was in effect and, under the terms of the new lease, the REIT receives a substantially similar or lesser benefit in comparison to the prior lease.

Hedging Transactions. From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. For taxable years beginning prior to January 1, 2005, any periodic income or gain from the disposition of any financial instrument for these or similar transactions to hedge indebtedness we incur to acquire or carry "real estate assets" should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. For taxable years beginning on and after January 1, 2005, income and gain from "hedging transactions" will be excluded from gross income for purposes of the 95% gross income test (but not the 75% gross income test). For those taxable years, a "hedging transaction" will mean any transaction entered into in the normal course of our trade or business primarily to manage the risk of interest rate or price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets. We will be required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into. Since the financial markets continually introduce new and innovative instruments related to risk-sharing or trading, it is not entirely clear which such instruments will generate income which will be considered qualifying income for purposes of the gross income tests. We intend to structure any hedging or similar transactions so as not to jeopardize our status as a REIT.

Failure to Satisfy Gross Income Tests. If we fail to satisfy one or both of the gross income tests for our 2004 taxable year, we nevertheless may qualify as a REIT for that year if we qualify for relief under certain provisions of the federal income tax laws. Those relief provisions generally will be available if:

- our failure to meet these tests is due to reasonable cause and not to willful neglect;

- we attach a schedule of the sources of our income to our tax return; and

- any incorrect information on the schedule is not due to fraud with intent to evade tax.

For taxable years beginning on and after January 1, 2005, those relief provisions will be available if:

- our failure to meet those tests is due to reasonable cause and not to willful neglect, and

- following our identification of such failure for any taxable year, a schedule of the sources of our income is filed in accordance with regulations prescribed by the Secretary of the Treasury.

We cannot with certainty predict whether any failure to meet these tests will qualify for the relief provisions. As discussed above in "-- Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amounts by which we fail the 75% and 95% gross income tests, multiplied by a fraction intended to reflect our profitability.

Asset Tests. To maintain our qualification as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year.

First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables;

- government securities;

- real estate assets, which includes interest in real property, leaseholds, options to acquire real property or leaseholds, interests in mortgages on real property and shares (or transferable certificates of beneficial interest) in other REITs;

- stock in other REITs; and

- investments in stock or debt instruments attributable to the temporary investment (i.e., for a period not exceeding 12 months) of new capital that we raise through equity offerings or offerings of debt with at least a five year term.

With respect to investments not included in the 75% asset class, we may not hold securities of any one issuer (other than a taxable REIT subsidiary) that exceed 5% of the value of our total assets; nor may we hold securities of any one issuer (other than a taxable REIT subsidiary) that represent more than 10% of the voting power of all outstanding voting securities of such issuer, or more than 10% of the value of all outstanding securities of such issuer.

In addition, we may not hold securities of one or more taxable REIT subsidiaries that represent in the aggregate more than 20% of the value of our total assets, irrespective of whether such securities may also be included in the 75% asset class (e.g., a mortgage loan issued to a taxable REIT subsidiary). Furthermore, no more than 25% of our total assets may be represented by securities that are not included in the 75% asset class, but this requirement will necessarily be satisfied if the 75% asset class requirement is satisfied.

For purposes of the 5% and 10% asset tests, the term "securities" does not include stock in another REIT, equity or debt securities of a qualified REIT subsidiary or taxable REIT subsidiary, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term "securities" does not include:

- "Straight debt," defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which we or any controlled TRS (i.e., a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock) holds non-"straight debt" securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:

  - a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by us exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and

  - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;

- Any loan to an individual or an estate;

- Any "section 467 rental agreement," other than an agreement with a related party tenant;

- Any obligation to pay "rents from real property";

- Any security issued by a state or any political subdivision thereof, the District of Columbia, a foreign government of any political subdivision thereof, or the Commonwealth of Puerto Rico, but only if the determination of any payment thereunder does not depend in whole or in part on the profits of any entity not described in this paragraph or payments on any obligation issued by an entity not described in this paragraph;

- Any security issued by a REIT;

- Any debt instrument of an entity treated as a partnership for federal income tax purposes to the extent of our interest as a partner in the partnership;

- Any debt instrument of an entity treated as a partnership for federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "-- Requirements for Qualification -- Income Tests."

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to securities described in the last two bullet points above.

In connection with the acquisition of the facilities in our current portfolio, MPT Development Services, Inc., our taxable REIT subsidiary, has made loans to Vibra Healthcare, LLC, the parent entity of our tenants, in an aggregate amount of approximately $41.4 million to acquire the operations at those facilities. MPT Development Services, Inc. also made a loan of approximately $6.2 million to Vibra and its subsidiaries for working capital purposes which was repaid in February 2005. Those loans bear interest at an annual rate of 10.25%. Our operating partnership loaned the funds to MPT Development Services, Inc. to make these loans. The loans from our operating partnership to MPT Development Services, Inc. bear interest at an annual rate of 9.25%.

Baker Donelson is of the opinion that the loans to Vibra will be treated as debt rather than equity interests in Vibra, and that our rental income from Vibra will be treated as qualifying income for purposes of the REIT gross income tests. However, there can be no assurance that the IRS will not take a contrary position. If the IRS were to successfully treat the loans to Vibra as equity interests in Vibra, Vibra would be a "related party tenant" with respect to our company and the rent that we receive from Vibra would not be qualifying income for purposes of the REIT gross income tests. As a result, we could lose our REIT status. In addition, if the IRS were to successfully treat the loans to Vibra as interests held by our operating partnership rather than by MPT Development Services, Inc. and to treat the loans as other than straight debt, we would fail the 10% asset test with respect to such interests and, as a result, could lose our REIT status. Baker Donelson is of the opinion that the loans to Vibra will be treated as straight debt for federal income tax purposes.

We will monitor the status of our assets for purposes of the various asset tests and will manage our portfolio in order to comply at all times with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT status if:

- we satisfied the asset tests at the end of the preceding calendar quarter; and

- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

In the event that, at the end of any calendar quarter in a taxable year beginning on or after January 1, 2005, we violate the 5% or 10% test described above, we will not lose our REIT status if (1) the failure is de minimis (up to the lesser of 1% of our assets or $10 million) and (2) we dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified the failure of the asset test. In the event of a more than de minimis failure of the 5% or 10% tests, or a failure of the other assets test, at the end of any calendar quarter in a taxable year beginning on or after January 1, 2005, as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT status if we (1) dispose of assets or otherwise comply with the asset tests within six months after the last day of the quarter in which we identified the failure of the asset test and (2) pay a tax equal to the greater of $50,000 or 35% of the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.

Distribution Requirements. Each taxable year, we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount not less than:

- the sum of:

  - 90% of our "REIT taxable income," computed without regard to the dividends-paid deduction or our net capital gain or loss, and

  - 90% of our after-tax net income, if any, from foreclosure property,

- minus

  - the sum of certain items of non-cash income.

We must pay such distributions in the taxable year to which they relate, or in the following taxable year if we declare the distribution before we timely file our federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration.

We will pay federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. In addition, we will incur a 4% nondeductible excise tax on the excess of a specified required distribution over amounts we actually distribute if we distribute an amount less than the required distribution during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year. The required distribution must not be less than the sum of:

- 85% of our REIT ordinary income for the year;

- 95% of our REIT capital gain income for the year; and

- any undistributed taxable income from prior periods.

We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. See " -- Taxation of Taxable United States Stockholders." If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% excise tax described above. We intend to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% excise tax.

It is possible that, from time to time, we may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our "REIT taxable income." Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute all of our taxable income and thereby avoid corporate income tax and the excise tax imposed on certain undistributed income. In such a situation, we may need to borrow funds or issue additional shares of common or preferred stock.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest based upon the amount of any deduction we take for deficiency dividends.

Recordkeeping Requirements. We must maintain certain records in order to qualify as a REIT. In addition, to avoid paying a penalty, we must request on an annual basis information from our stockholders designed to disclose the actual ownership of our shares of outstanding capital stock. We intend to comply with these requirements.

Failure to Qualify. If we failed to qualify as a REIT in any taxable year and no relief provision applied, we would have the following consequences. We would be subject to federal income tax and any applicable alternative minimum tax at rates applicable to regular C corporations on our taxable income, determined without reduction for amounts distributed to stockholders. We would not be required to make any distributions to stockholders, and any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits. Corporate stockholders could be eligible for a dividends-received deduction if certain conditions are satisfied. Unless we qualified for relief under specific statutory provisions, we would not be permitted to elect taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT.

For taxable years beginning on and after January 1, 2005, if we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if the failure is due to reasonable cause and not to willful neglect and we pay a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described above in "-- Income Tests" and "-- Asset Tests."

Taxation of Taxable United States Stockholders. As long as we qualify as a REIT, a taxable "United States stockholder" will be required to take into account as ordinary income distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain. A United States stockholder will not qualify for the dividends-received deduction generally available to corporations. The term "United States stockholder" means a holder of shares of common stock that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;

- a corporation or partnership (including an entity treated as a corporation or partnership for United States federal income tax purposes) created or organized under the laws of the United States or of a political subdivision of the United States;

- an estate whose income is subject to United States federal income taxation regardless of its source; or

- any trust if (i) a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a United States person.

Distributions paid to a United States stockholder generally will not qualify for the new 15% tax rate for "qualified dividend income." The Jobs and Growth Tax Relief Reconciliation Act of 2003 reduced the maximum tax rate for qualified dividend income from 38.6% to 15% for tax years through 2008. Without future congressional action, the maximum tax rate on qualified dividend income will move to 35% in 2009 and 39.6% in 2011. Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to most United States noncorporate stockholders. Because we are not generally subject to federal income tax on the portion of our REIT taxable income distributed to our stockholders, our dividends generally will not be eligible for the new 15% rate on qualified dividend income. As a result, our ordinary REIT dividends will continue to be taxed at the higher tax rate applicable to ordinary income. Currently, the highest marginal individual income tax rate on ordinary income is 35%. However, the 15% tax rate for qualified dividend income will apply to our ordinary REIT dividends, if any, that are (i) attributable to dividends received by us from non-REIT corporations, such as our taxable REIT subsidiary, and (ii) attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold our common stock for more than 60 days during the 120-day period beginning on the date that is 60 days before the date on which our common stock becomes ex-dividend.

Distributions to a United States stockholder which we designate as capital gain dividends will generally be treated as long-term capital gain, without regard to the period for which the United States stockholder has held its common stock. We generally will designate our capital gain dividends as either 15%, 20% or 25% rate distributions. A corporate United States stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, a United States stockholder would be taxed on its proportionate share of our undistributed long-term capital gain. The United States stockholder would receive a credit or refund for its proportionate share of the tax we paid. The United States stockholder would increase the basis in its shares of common stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A United States stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the United States stockholder's shares. Instead, the distribution will reduce the adjusted basis of the shares, and any amount in excess of both our current and accumulated earnings and profits and the adjusted basis will be treated as capital gain, long-term if the shares have been held for more than one year, provided the shares are a capital asset in the hands of the United States stockholder. In addition, any distribution we declare in October, November, or December of any year that is payable to a United States stockholder of record on a specified date in any of those months will be treated as paid by us and received by the United States stockholder on December 31 of the year, provided we actually pay the distribution during January of the following calendar year.

Stockholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of shares of common stock will not be treated as passive activity income; stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the stockholder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of common stock generally will be treated as investment income for purposes of the investment interest limitations. We will notify stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital, and capital gain.

Taxation of United States Stockholders on the Disposition of Shares of Common Stock. In general, a United States stockholder who is not a dealer in securities must treat any gain or loss realized upon a taxable disposition of our shares of common stock as long-term capital gain or loss if the United States stockholder has held the stocks for more than one year, and otherwise as short-term capital gain or loss. However, a United States stockholder must treat any loss upon a sale or exchange of common stock held for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us which the United States stockholder treats as long-term capital gain. All or a portion of any loss that a United States stockholder realizes upon a taxable disposition of common stock may be disallowed if the United States stockholder purchases other shares of our common stock within 30 days before or after the disposition.

Capital Gains and Losses. The tax-rate differential between capital gain and ordinary income for non-corporate taxpayers may be significant. A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is currently 35%. The maximum tax rate on long-term capital gain applicable to individuals is 15% for sales and exchanges of assets held for more than one year and occurring on or after May 6, 2003 through December 31, 2008. The maximum tax rate on long-term capital gain from the sale or exchange of "section 1250 property" (i.e., generally, depreciable real property) is 25% to the extent the gain would have been treated as ordinary income if the property were "section 1245 property" (i.e., generally, depreciable personal property). We generally may designate whether a distribution we designate as capital gain dividends (and any retained capital gain that we are deemed to distribute) is taxable to non-corporate stockholders at a 15% or 25% rate.

The characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum of $3,000 annually. A non-corporate taxpayer may carry unused capital losses forward indefinitely. A corporate taxpayer must pay tax on its net capital gain at corporate ordinary-income rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses carried back three years and forward five years.

Information Reporting Requirements and Backup Withholding. We will report to our stockholders and to the IRS the amount of distributions we pay during each calendar year and the amount of tax we withhold, if any. A stockholder may be subject to backup withholding at a rate of up to 28% with respect to distributions unless the holder:

- is a corporation or comes within certain other exempt categories and when required, demonstrates this fact; or

- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to us. For a discussion of the backup withholding rules as applied to non-United States stockholders, see "Taxation of Non-United States Stockholders."

Taxation of Tax-Exempt Stockholders. Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, referred to as pension trusts, generally are exempt from federal income taxation. However, they are subject to taxation on their "unrelated business taxable income." While many investments in real estate generate unrelated business taxable income, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute unrelated business taxable income so long as the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts we distribute to tax-exempt stockholders generally should not constitute unrelated business taxable income. However, if a tax-exempt stockholder were to finance its acquisition of common stock with debt, a portion of the income it received from us would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws are subject to different unrelated business taxable income rules, which generally will require them to characterize distributions they receive from us as unrelated business taxable income. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of our shares of common stock must treat a percentage of the dividends it receives from us as unrelated business taxable income. The percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. This rule applies to a pension trust holding more than 10% of our shares only if:

- the percentage of our dividends which the tax-exempt trust must treat as unrelated business taxable income is at least 5%;

- we qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our shares of common stock be owned by five or fewer individuals, which modification allows the beneficiaries of the pension trust to be treated as holding shares in proportion to their actual interests in the pension trust; and

- either of the following applies:

  - one pension trust owns more than 25% of the value of our shares of common stock; or

  - a group of pension trusts individually holding more than 10% of the value of our shares of common stock collectively owns more than 50% of the value of our shares of common stock.

Taxation of Non-United States Stockholders. The rules governing United States federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders are complex. This section is only a summary of such rules. We urge non-United States stockholders to consult their own tax advisors to determine the impact of federal, state, and local income tax laws on ownership of shares of common stock, including any reporting requirements.

A non-United States stockholder that receives a distribution which (i) is not attributable to gain from our sale or exchange of "United States real property interests" (defined below) and (ii) we do not designate a capital gain dividend (or retained capital gain) will recognize ordinary income to the extent of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. However, a non-United States stockholder generally will be subject to federal income tax at graduated rates on any distribution treated as effectively connected with the non-United States stockholder's conduct of a United States trade or business, in the same manner as United States stockholders are taxed on distributions. A corporate non-United States stockholder may, in addition, be subject to the 30% branch profits tax. We plan to withhold United States income tax at the rate of 30% on the gross amount of any distribution paid to a non-United States stockholder unless:

- a lower treaty rate applies and the non-United States stockholder files an IRS Form W-8BEN evidencing eligibility for that reduced rate with us; or

- the non-United States stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

A non-United States stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of the distribution does not exceed the adjusted basis of the stockholder's shares of common stock. Instead, the excess portion of the distribution will reduce the adjusted basis of the shares. A non-United States stockholder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its shares, if the non-United States stockholder otherwise would be subject to tax on gain from the sale or disposition of shares of common stock, as described below. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-United States stockholder may obtain a refund of amounts we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

We must withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. We will, therefore, withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%.

For any year in which we qualify as a REIT, a non-United States stockholder will incur tax on distributions attributable to gain from our sale or exchange of "United States real property interests" under the "FIRPTA" provisions of the Code. The term "United States real property interests" includes interests in real property and stocks in corporations at least 50% of whose assets consist of interests in real property. Under the FIRPTA rules, a non-United States stockholder is taxed on distributions attributable to gain from sales of United States real property interests as if the gain were effectively connected with the conduct of a United States business of the non-United States stockholder. A non-United States stockholder thus would be taxed on such a distribution at the normal capital gain rates applicable to United States stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-United States corporate stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. We must withhold 35% of any distribution that we could designate as a capital gain dividend. A non-United States stockholder may receive a credit against our tax liability for the amount we withhold.

For taxable years beginning on and after January 1, 2005, for non-U.S. stockholders of our publicly-traded shares, capital gain distributions that are attributable to our sale of real property will not be subject to FIRPTA and therefore will be treated as ordinary dividends rather than as gain from the sale of a United States real property interest, as long as the non-U.S. stockholder did not own more than 5% of the class of our stock on which the distributions are made during the taxable year. As a result, non-U.S. stockholders generally would be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends.

A non-United States stockholder generally will not incur tax under FIRPTA with respect to gain on a sale of shares of common stock as long as, at all times, non-United States persons hold, directly or indirectly, less than 50% in value of the outstanding common stock. We cannot assure you that this test will be met. In addition, a non-United States stockholder that owned, actually or constructively, 5% or less of the outstanding common stock at all times during a specified testing period will not incur tax under FIRPTA on gain from a sale of common stock if the stock is "regularly traded" on an established securities market. Any gain subject to tax under FIRPTA will be treated in the same manner as it would be in the hands of United States stockholders subject to alternative minimum tax, but under a special alternative minimum tax in the case of nonresident alien individuals.

A non-United States stockholder generally will incur tax on gain from the sale of common stock not subject to FIRPTA if:

- the gain is effectively connected with the conduct of the non-United States stockholder's United States trade or business, in which case the non-United States stockholder will be subject to the same treatment as United States stockholders with respect to the gain; or

- the non-United States stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-United States stockholder will incur a 30% tax on capital gains.

OTHER TAX CONSEQUENCES

Tax Aspects of Our Investments in the Operating Partnership. The following discussion summarizes certain federal income tax considerations applicable to our direct or indirect investment in our operating partnership and any subsidiary partnerships or limited liability companies we form or acquire, each individually referred to as a Partnership and, collectively, as Partnerships. The following discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as Partnerships. We are entitled to include in our income our distributive share of each Partnership's income and to deduct our distributive share of each Partnership's losses only if such Partnership is classified for federal income tax purposes as a partnership (or an entity that is disregarded for federal income tax purposes if the entity has only one owner or member), rather than as a corporation or an association taxable as a corporation. An organization with at least two owners or members will be classified as a partnership, rather than as a corporation, for federal income tax purposes if it:

- is treated as a partnership under the Treasury regulations relating to entity classification (the "check-the-box regulations"); and

- is not a "publicly traded" partnership.

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity does not make an election, it generally will be treated as a partnership for federal income tax purposes. We intend that each Partnership will be classified as a partnership for federal income tax purposes (or else a disregarded entity where there are not at least two separate beneficial owners).

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or a substantial equivalent). A publicly traded partnership is generally treated as a corporation for federal income tax purposes, but will not be so treated for any taxable year for which at least 90% of the partnership's gross income consists of specified passive income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends (the "90% passive income exception").

Treasury regulations, referred to as PTP regulations, provide limited safe harbors from treatment as a publicly traded partnership. Pursuant to one of those safe harbors, or private placement exclusion, interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act, and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. For the determination of the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in the partnership only if (i) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership should qualify for the private placement exclusion.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that the Partnerships will be classified as partnerships for federal income tax purposes. If for any reason a Partnership were taxable as a corporation, rather than as a partnership, for federal income tax purposes, we likely would not be able to qualify as a REIT. See "-- Requirements for Qualification -- Income Tests" and " -- Requirements for Qualification -- Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "-- Requirements for Qualification -- Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

INCOME TAXATION OF THE PARTNERSHIPS AND THEIR PARTNERS

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. We will therefore take into account our allocable share of each Partnership's income, gains, losses, deductions, and credits for each taxable year of the Partnership ending with or within our taxable year, even if we receive no distribution from the Partnership for that year or a distribution less than our share of taxable income. Similarly, even if we receive a distribution, it may not be taxable if the distribution does not exceed our adjusted tax basis in our interest in the Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, allocations will be disregarded for tax purposes if they do not comply with the provisions of the federal income tax laws governing partnership allocations. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the federal income tax laws governing partnership allocations.

Tax Allocations With Respect to Contributed Properties. Income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. Similar rules apply with respect to property revalued on the books of a partnership. The amount of such unrealized gain or unrealized loss, referred to as built-in gain or built-in loss, is generally equal to the difference between the fair market value of the contributed or revalued property at the time of contribution or revaluation and the adjusted tax basis of such property at that time, referred to as a book-tax difference. Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The United States Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Our operating partnership generally intends to use the traditional method for allocating items with respect to which there is a book-tax difference.

Basis in Partnership Interest. Our adjusted tax basis in any partnership interest we own generally will be:

- the amount of cash and the basis of any other property we contribute to the partnership;

- increased by our allocable share of the partnership's income (including tax-exempt income) and our allocable share of indebtedness of the partnership; and

- reduced, but not below zero, by our allocable share of the partnership's loss, the amount of cash and the basis of property distributed to us, and constructive distributions resulting from a reduction in our share of indebtedness of the partnership.

Loss allocated to us in excess of our basis in a partnership interest will not be taken into account until we again have basis sufficient to absorb the loss. A reduction of our share of partnership indebtedness will be treated as a constructive cash distribution to us, and will reduce our adjusted tax basis. Distributions, including constructive distributions, in excess of the basis of our partnership interest will constitute taxable income to us. Such distributions and constructive distributions normally will be characterized as long-term capital gain.

Depreciation Deductions Available to Partnerships. The initial tax basis of property is the amount of cash and the basis of property given as consideration for the property. A partnership in which we are a partner generally will depreciate property for federal income tax purposes under the modified accelerated cost recovery system of depreciation, referred to as MACRS. Under MACRS, the partnership generally will depreciate furnishings and equipment over a seven year recovery period using a 200% declining balance method and a half-year convention. If, however, the partnership places more than 40% of its furnishings and equipment in service during the last three months of a taxable year, a mid-quarter depreciation convention must be used for the furnishings and equipment placed in service during that year. Under MACRS, the partnership generally will depreciate buildings and improvements over a 39 year recovery period using a straight line method and a mid-month convention. The operating partnership's initial basis in properties acquired in exchange for units of the operating partnership should be the same as the transferor's basis in such properties on the date of acquisition by the partnership. Although the law is not entirely clear, the partnership generally will depreciate such property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors. The partnership's tax depreciation deductions will be allocated among the partners in accordance with their respective interests in the partnership, except to the extent that the partnership is required under the federal income tax laws governing partnership allocations to use a method for allocating tax depreciation deductions attributable to contributed or revalued properties that results in our receiving a disproportionate share of such deductions.

Under recently enacted legislation, a first-year bonus depreciation of 50% may be available for certain tenant improvements. In addition, certain qualified leasehold improvement property placed in service before January 1, 2006 will be depreciated over a 15-year recovery period using a straight method and a half-year convention.

Sale of a Partnership's Property. Generally, any gain realized by a Partnership on the sale of property held for more than one year will be long-term capital gain, except for any portion of the gain treated as depreciation or cost recovery recapture. Any gain or loss recognized by a Partnership on the disposition of contributed or revalued properties will be allocated first to the partners who contributed the properties or who were partners at the time of revaluation, to the extent of their built-in gain or loss on those properties for federal income tax purposes. The partners' built-in gain or loss on contributed or revalued properties is the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution or revaluation. Any remaining gain or loss recognized by the Partnership on the disposition of contributed or revalued properties, and any gain or loss recognized by the Partnership on the disposition of other properties, will be allocated among the partners in accordance with their percentage interests in the Partnership.

Our share of any Partnership gain from the sale of inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction subject to a 100% tax. Income from a prohibited transaction may have an adverse effect on our ability to satisfy the gross income tests for REIT status. See "-- Requirements for

Qualification -- Income Tests." We do not presently intend to acquire or hold, or to allow any Partnership to acquire or hold, any property that is likely to be treated as inventory or property held primarily for sale to customers in the ordinary course of our, or the Partnership's, trade or business.

Taxable REIT Subsidiaries. As described above, we have formed and have made a timely election to treat MPT Development Services, Inc. as a taxable REIT subsidiary and may form or acquire additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary may provide services to our tenants and engage in activities unrelated to our tenants, such as third-party management, development, and other independent business activities.

We and any corporate subsidiary in which we own stock must make an election for the subsidiary to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary directly or indirectly owns shares of a corporation with more than 35% of the value or voting power of all outstanding shares of the corporation, the corporation will automatically also be treated as a taxable REIT subsidiary. Overall, no more than 20% of the value of our assets may consist of securities of one or more taxable REIT subsidiaries, irrespective of whether such securities may also qualify under the 75% assets test, and no more than 25% of the value of our assets may consist of the securities that are not qualifying assets under the 75% test, including, among other things, certain securities of a taxable REIT subsidiary, such as stock or non-mortgage debt.

Rent we receive from our taxable REIT subsidiaries will qualify as "rents from real property" as long as at least 90% of the leased space in the property is leased to persons other than taxable REIT subsidiaries and related party tenants, and the amount paid by the taxable REIT subsidiary to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space. The taxable REIT subsidiary rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to us to assure that the taxable REIT subsidiary is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on certain types of transactions between a taxable REIT subsidiary and us or our tenants that are not conducted on an arm's-length basis.

A taxable REIT subsidiary may not directly or indirectly operate or manage a healthcare facility. For purposes of this definition a "healthcare facility" means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility, or other licensed facility which extends medical or nursing or ancillary services to patients and which is operated by a service provider which is eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility.

State and Local Taxes. We and our stockholders may be subject to taxation by various states and localities, including those in which we or a stockholder transacts business, owns property or resides. The state and local tax treatment may differ from the federal income tax treatment described above. Consequently, stockholders should consult their own tax advisors regarding the effect of state and local tax laws upon an investment in our common stock.

UNDERWRITING

Friedman, Billings, Ramsey & Co., Inc. is acting as representative of the underwriters of this offering. Subject to the terms and conditions in the underwriting agreement entered into in connection with the sale of our common stock described in this prospectus, the underwriters named below have severally agreed to purchase the number of shares of common stock set forth opposite their respective names.

UNDERWRITER	NUMBER OF SHARES OF COMMON STOCK
Friedman, Billings, Ramsey & Co., Inc.	
J.P. Morgan Securities Inc.	
Wachovia Capital Markets, LLC	
Stifel, Nicolaus & Company, Incorporated	
TOTAL:	12,066,823

The underwriting agreement provides that the obligations of the underwriters to purchase and accept delivery of the shares of common stock offered by this prospectus are subject to approval by their counsel of legal matters and to other conditions contained in the underwriting agreement including, among other items, the receipt of legal opinions from counsel, the receipt of comfort letters from our current auditors, the absence of any material adverse changes affecting us or our business and the absence of any objections from the National Association of Securities Dealers, Inc., or NASD, with respect to the fairness and reasonableness of the underwriting terms. The underwriters are obligated to purchase and accept delivery of all of the shares of common stock offered by this prospectus, other than those covered by the over-allotment option described below, if any shares are taken. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or, in the event that the purchase commitments of the defaulting underwriters represent more than 10% of the total number shares of common stock offered by this prospectus, the underwriting agreement may be terminated.

The underwriters propose to offer the shares of common stock directly to the public at the public offering price indicated on the cover page of this prospectus and to various dealers at that price less a concession not to exceed $ per share, of which $ may be reallowed to other dealers. After this offering, the public offering price, concession and reallowance to dealers may be reduced by the underwriters. No reduction shall change the amount of proceeds to be received by us as indicated on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase from time to time up to an aggregate of 1,810,023 additional shares of our common stock to cover over-allotments, if any, at the public offering price less the underwriting discount. If the underwriters exercise their over-allotment option to purchase any of the additional 1,810,023 shares of common stock, each underwriter, subject to certain conditions, will become obligated to purchase these additional shares based on the underwriters' percentage purchase commitment in the offering as indicated in the table above. If purchased, these additional shares will be sold by the underwriters on the same terms as those on which the shares offered by this prospectus are being sold. The underwriters may exercise the over-allotment option to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering.

The following table summarizes the underwriting compensation to be paid to the underwriters by us and the selling stockholders. These amounts assume both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

	WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT
By us:		
Per share:...		
Total:...		
By the selling stockholders:		
Per share:...		
Total:...		

We have agreed to reimburse Friedman, Billings, Ramsey & Co., Inc. for certain of its reasonable out-of-pocket expenses in connection with this offering, including any fees or disbursements of its counsel, not to exceed $150,000.

Pursuant to a registration rights agreement between us, Friedman, Billings, Ramsey & Co., Inc. and certain holders of our common stock, we are required to pay substantially all of the expenses in connection with the registration of the shares of common stock purchased in the April 2004 private placement. In addition, we will reimburse selling stockholders in an aggregate amount of up to $50,000, for the fees and expenses of one counsel and one accounting firm, as selected by Friedman, Billings, Ramsey & Co., Inc. for the selling stockholders, to review any registration statement. Each selling stockholder participating in this offering will bear a proportionate share of the underwriting discounts payable to the underwriters, all transfer taxes and transfer fees and any other expense of the selling stockholders not allocated to us in the registration rights agreement.

We estimate that the total expenses payable by us in connection with this offering will be approximately $3.0 million.

Pursuant to an engagement letter dated November 13, 2003, we appointed Friedman, Billings, Ramsey & Co., Inc. to act until April 7, 2006 as lead underwriter or placement agent in connection with any public or private offerings of our equity securities and to act as our financial advisor in connection with any purchase or sale of stock, merger, corporate acquisition, business combination or other strategic combination in which we may engage. Other than with respect to this offering, the underwriters are not providing us with any financial advisory services. Subject to the terms of that engagement letter, the underwriters and their affiliates may from time to time engage in future transactions with us and our affiliates and provide services to us and our affiliates in the ordinary course of their business.

Friedman Billings Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc. currently beneficially owns approximately 10.9% of our outstanding common stock. Under the Conduct Rules of the NASD, when underwriters or their affiliates beneficially own 10% or more of the common equity of a company, they may be deemed to have a "conflict of interest" under Rule 2720(b)(7) of the rules and regulations of the NASD. When a NASD member with a conflict of interest participates as an underwriter in a public offering, that rule requires that the initial public offering price be no higher than that recommended by a "qualified independent underwriter," as defined by the NASD, which qualified independent underwriter shall also participate in the preparation of the registration statement and the prospectus and exercise the usual standards of "due diligence" in its participation. Although this rule does not apply to REITs and therefore to this offering, J.P. Morgan Securities Inc. has been engaged to act as a qualified independent underwriter. In this role, J.P. Morgan Securities Inc. has performed a due diligence investigation of us and participated in the preparation of this prospectus and the registration statement. The initial public offering price of the shares of common stock will be no higher than the price recommended by J.P. Morgan Securities Inc. We and the selling stockholders have agreed to indemnify J.P. Morgan Securities Inc. against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.

We and the selling stockholders have also agreed to indemnify the underwriters against various liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

We have applied to list our common stock on the New York Stock Exchange upon the completion of this offering under the symbol "MPW." In connection with the listing of our common stock on the New York Stock Exchange, the underwriters will undertake to sell round lots of 100 shares or more to a minimum of 2,000 beneficial owners.

Prior to this offering, there has been no public market for our common stock, other than limited trading on the Portal Market. The initial public offering price has been determined through negotiations between the underwriters and us. Among the factors considered in such determination were:

- prevailing market conditions;

- dividend yields and financial characteristics of publicly traded REITs that we and the underwriters believe to be comparable to us;

- the present state of our financial and business operations;

- our management;

- estimates of our business and earnings potential; and

- the prospects for the industry in which we operate.

Each of our executive officers and directors has agreed, subject to specified exceptions, not to:

- offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any shares of common stock, any of our or our subsidiaries' other equity securities or any securities convertible into or exercisable or exchangeable for shares of our common stock or any such equity securities; or

- establish or increase any "put equivalent position" or liquidate or decrease any "call equivalent position" or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences associated with the ownership of any shares of our common stock or of our or our subsidiaries' other equity securities (regardless of whether any of these transactions are to be settled by the delivery of common stock, other securities, cash or otherwise) for a period of 180 days after the date of this prospectus without the prior written consent of Friedman, Billings, Ramsey & Co., Inc. This restriction terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus. However, Friedman, Billings, Ramsey & Co., Inc. may, in its sole discretion and at any time or from time to time before the termination of the 180-day period, without notice, release all or any portion of the securities subject to lock-up agreements. There are no other existing agreements between the underwriters and any officer or director who has executed a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

In addition, we have agreed that, for 180 days after the date of this prospectus, we will not, without the prior written consent of Friedman, Billings, Ramsey & Co., Inc., issue, sell, contract to sell, or otherwise dispose of, any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock other than our sale of shares in this offering, the issuance of options or shares of common stock upon the exercise of outstanding options or warrants, the issuance of options or shares of common stock under existing stock option and incentive plans, or the issuance of common stock or other securities convertible into common stock issued in connection with the acquisition of properties. We also have agreed that we will not consent to the disposition of any shares held by officers or directors subject to lock-up agreements prior to the expiration of their respective lock-up periods unless pursuant to an exception to those agreements or with the consent of Friedman, Billings, Ramsey & Co., Inc. The lockup provisions do not prohibit us from filing a resale registration statement to register the shares issued in our April 2004 private placement.

Our stockholders other than our executive officers and directors may not sell or otherwise dispose of any of the shares of our common stock or securities convertible into our common stock that they have acquired prior to the date of this prospectus and are not selling in this offering until 60 days after the date of this prospectus, subject to limited exceptions.

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- short sales;

- syndicate covering transactions;

- imposition of penalty bids; and

- purchases to cover positions created by short sales.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Stabilizing transactions may include making short sales of our common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing common stock from us or in the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares pursuant to the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The representative also may impose a penalty bid on underwriters and selling group members. This means that if the representative purchases shares in the open market in stabilizing transactions or to cover short sales, the representative can require the underwriters or selling group members that sold those shares as part of this offering to repay underwriting discount or the selling concession received by them.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to accounts over which they exercise discretionary authority to exceed 5% of the total number of shares of common stock offered by this prospectus.

At our request, the underwriters have reserved up to 1% of the common stock being offered by this prospectus for sale to our directors, employees, business associates and related persons at the public offering price. The sales will be made by Friedman, Billings, Ramsey & Co., Inc. through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. These persons must commit to purchase no later than the close of business on the day following the date of this prospectus. The common stock issued in connection with the directed share program will be issued as part of the underwritten public offering.

LEGAL MATTERS

The validity of the common stock and certain tax matters, including REIT qualification and debt characterization, will be passed upon for us by Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. The summary of legal matters contained in the section of this prospectus under the heading "United States Federal Income Tax Considerations" is based on the opinion of Baker Donelson. Certain legal matters in connection with this offering will be passed upon for the underwriters by Hunton & Williams LLP.

EXPERTS

Our consolidated financial statements and the accompanying financial statement schedule as of December 31, 2004, and 2003, and for the year ended December 31, 2004 and for the period from inception (August 27, 2003) through December 31, 2003, included herein, have been audited by KPMG LLP, independent registered public accounting firm, as stated in their report included herein.

The consolidated financial statements of Vibra as of December 31, 2004 and for the period from inception (May 14, 2004) through December 31, 2004 included herein have been audited by Parente Randolph, LLC, independent registered public accounting firm, as stated in their report included herein.

The independent registered public accounting firms have not examined, compiled or otherwise applied procedures to any financial forecast, projection or anticipated results presented herein and, accordingly, do not express an opinion or any other form of assurance on such.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-11, including exhibits, schedules and amendments filed with, or incorporated by reference in, this registration statement, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to in, or incorporated by reference in, this prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement, each statement is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the Securities and Exchange Commission, 450 Fifth Street, N.W. Room 1024, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the Securities and Exchange Commission upon payment of prescribed fees. Our Securities and Exchange Commission filings, including our registration statement, are also available to you on the Securities and Exchange Commission's website, www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act, and will file periodic reports, proxy statements and will make available to our stockholders annual reports containing audited financial information for each year, and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

INDEX TO FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information sets forth:

- the historical financial information derived from our audited consolidated financial statements for the year ended December 31, 2004 and the three months ended March 31, 2005 as adjusted to:

  - give effect to acquisition of our facilities acquired and leased to Vibra, Desert Valley and Gulf States as if we owned them from the inception of each period presented;

  - give effect to our loans made to Vibra;

  - give effect to our probable acquisitions;

  - give effect to this offering; and

- our pro forma, as adjusted unaudited consolidated balance sheet as of March 31, 2005, for the effect of dividends, to give effect to our initial portfolio, our probable acquisitions and this offering.

This section contains forward-looking statements, which are projections of future performance and the assumptions upon which the forward-looking statements are based. Our actual results could differ materially from those expressed in our forward-looking statements as a result of various risks, including those set forth in "Risk Factors" and elsewhere in this prospectus. You should read the information below along with all other financial information and analysis presented in this prospectus, including the sections captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes.

The unaudited pro forma consolidated financial information is presented for informational purposes only. We do not expect that this information will reflect our future results of operations or financial position. The unaudited pro forma adjustments and eliminations are based on available information and upon assumptions that we believe are reasonable. The unaudited pro forma financial information assumes that the above described transactions were completed as of December 31, 2004, for purposes of the unaudited pro forma consolidated balance sheets and as of the first day of the period presented for purposes of the unaudited pro forma consolidated statements of operations.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Balance Sheet
March 31, 2005

	HISTORICAL	EFFECT OF COMPLETED DIVIDENDS	GULF STATES-COVINGTON	VIBRA-REDDING	COMPLETED ACQUISITION TRANSACTIONS PRO FORMA
ASSETS					
Real estate assets					
Land................	$ 12,670,000	$ --	$ 821,429(2)	$ --	$ 13,491,429
Buildings and improvements......	136,381,785	--	10,234,101(2)	19,948,022(3)	166,563,908
Construction in progress..........	36,757,429	--	--		36,757,429
Intangible lease assets............	6,320,410	--	444,470(2)	801,978(3)	7,566,858
Gross investment in real estate assets..........	192,129,624	--	11,500,000	20,750,000	224,379,624
Accumulated depreciation and amortization......	(2,320,877)	--	--	--	(2,320,877)
Net investment in real estate assets..........	189,808,747	--	11,500,000	20,750,000	222,058,747
Cash and cash equivalents.........	82,053,255	(7,055,493)(1)	(11,500,000)(2)	(20,750,000)(3)	42,747,762
Interest and rent receivable..........	748,677	--	--	--	748,677
Unbilled rent receivable..........	5,177,925	--	--	--	5,177,925
Loans.................	42,498,111	--	--	--	42,498,111
Other assets..........	6,017,364	--	--	--	6,017,364
TOTAL ASSETS......	$326,304,079	$(7,055,493)	$ --	$ --	$319,248,586

============
============
LIABILITIES AND
STOCKHOLDERS' EQUITY
Liabilities Long-term
debt...... $
74,141,667 $ -- $ --
$ -- $ 74,141,667
Accounts payable and
accrued
expenses..........
10,072,197
(2,869,115)(1)
7,203,082 Deferred
revenue.... 4,518,896
-- -- -- 4,518,896
Lease deposits......
3,314,556 -- -- --
3,314,556 -----------
- ----------- -------
----- ------------ --
---------- Total
liabilities.....
92,047,316
(2,869,115) -- --
89,178,201 Minority
interest.....
1,762,500 -- -- --
1,762,500
Stockholders' equity
Preferred stock,....
-- -- -- -- -- Common
stock,....... 26,083
-- -- -- 26,083
Additional paid in
capital...........
233,701,690 -- -- --
233,701,690
Accumulated
deficit...........
(1,233,510)
(4,186,378) -- --
(5,419,888) ---------
--- ----------- -----
------- ------------
------------ Total
stockholders'
equity..........
232,494,263
(4,186,378) -- --
228,307,885 ---------
--- ----------- -----
------- ------------
------------ TOTAL
LIABILITIES AND
STOCKHOLDERS'
EQUITY..........
$326,304,079
$(7,055,493) $ -- $ -
- $319,248,586
============
===========
============
============
============
PROBABLE ACQUISITION
TRANSACTIONS EFFECT -
----------- OF THIS
GULF STATES COMPANY
OFFERING HEALTH PRO
FORMA ------------ --
---------- ----------
-- ASSETS Real estate
assets
Land................
$ -- $ 1,163,214(5) $
14,654,643 Buildings
and
improvements...... --
14,492,378(5)
181,056,286
Construction in
progress.......... --
36,757,429 Intangible
lease
assets............ --
629,408(5) 8,196,266
------------ --------
---- ------------
Gross investment in
real estate
assets.......... --
16,285,000
240,664,624

Accumulated depreciation and amortization......	--	--	(2,320,877)
Net investment in real estate assets..........	--	16,285,000	238,343,747
Cash and cash equivalents.........	113,263,950(4)	(16,285,000)(5)	139,726,712
Interest and rent receivable..........	--	--	748,677
Unbilled rent receivable..........	--	--	5,177,925
Loans.................	--		42,498,111
Other assets..........	--	--	6,017,364
TOTAL ASSETS......	$113,263,950	$ --	$432,512,536
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Long-term debt......	$ --	$ --	$ 74,141,667
Accounts payable and accrued expenses..........	--	--	7,203,082
Deferred revenue....	--	--	4,518,896
Lease deposits......	--	--	3,314,556
Total liabilities.....	--	--	89,178,201
Minority interest.....	--	--	1,762,500
Stockholders' equity			
Preferred stock,....	--	--	--
Common stock,.......	11,553(4)(6)	--	37,636
Additional paid in capital...........	115,320,397(4)(6)	--	349,022,087
Accumulated deficit...........	(2,068,000)(4)(6)	--	(7,487,888)
Total stockholders' equity..........	113,263,950	--	341,571,835
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY..........	$113,263,950	$ --	$432,512,536

See accompanying notes to unaudited pro forma consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations
For the Three Months Ended March 31, 2005

PROBABLE
ACQUISITION
COMPLETED
ACQUISITION
TRANSACTIONS
TRANSACTIONS ---

-- PRO FORMA ---
--------- DESERT
GULF EFFECT OF
GULF VALLEY-
STATES- VIBRA-
COMPLETED STATES
COMPANY
HISTORICAL
VICTORVILLE
COVINGTON
REDDING
TRANSACTIONS
HEALTH PRO FORMA
----------- ----
-------- -------
---- -------- --
---------- -----
------- --------
--- REVENUES
Rent
income........ $
5,268,490
$529,449(7)
$360,880(8)
$564,856(9) $
6,723,675
$511,037(10) $
7,234,712
Interest income
from
loans.......
1,212,038 -- --
-- 1,212,038 --
1,212,038 ------
----- -------- -
------- --------
----------- ----
---- -----------
Total
revenues...
6,480,528
529,449 360,880
564,856
7,935,713
511,037
8,446,750
EXPENSES
Depreciation and
amortization.....
842,407
115,316(7)
71,371(8)
138,041(9)
1,167,135
101,068(10)
1,268,203
Property
expenses.........
29,466 -- -- --
29,466 -- 29,466
General and
administrative...
1,698,249 -- --
-- 1,698,249 --
1,698,249 Costs
of terminated
acquisitions.....
23,095 -- -- --
23,095 -- 23,095
----------- ----
---- -------- --
------ ---------
-- -------- ----
------- Total
operating
expenses.......
2,593,217

115,316 71,371
138,041
2,917,945
101,068
3,019,013 ------
----- -------- -
------- --------
----------- ----
---- -----------
Operating
income....
3,887,311
414,133 289,509
426,815
5,017,768
409,969
5,427,737 OTHER
INCOME (EXPENSE)
Interest
income....
383,772 -- -- --
383,772 --
383,772 Interest
expense...
(711,149) -- --
-- (711,149) --
(711,149) ------
----- -------- -
------- --------
----------- ----
---- -----------
Net other
expense........
(327,377) -- --
-- (327,377) --
(327,377) ------
----- -------- -
------- --------
----------- ----
---- -----------
NET INCOME.....
$ 3,559,934
$414,133
$289,509
$426,815 $
4,690,391
$409,969 $
5,100,360
===========
========
========
========
===========
========
=========== NET
INCOME PER SHARE
-- BASIC.......
$ 0.14 $ 0.14
NET INCOME PER
SHARE --
DILUTED..... $
0.14 $ 0.14
WEIGHTED AVERAGE
SHARES
OUTSTANDING --
BASIC.......
26,099,195
37,652,195(11)
WEIGHTED AVERAGE
SHARES
OUTSTANDING --
DILUTED.....
26,103,259
37,656,259(11)

See accompanying notes to unaudited pro forma consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2004

COMPLETED ACQUISITION TRANSACTIONS --------- ---------------------- ---------------------- --- VIBRA DESERT VALLEY- GULF STATES- VIBRA- HISTORICAL FACILITIES VICTORVILLE COVINGTON REDDING ---- ------- ----------- -- ------------ --------- --- ---------- REVENUES Rent income.............. $ 8,611,344 $ 9,774,139(12) $3,228,104(13) $1,443,520(14) $2,259,422(15) Interest income from loans.................. 2,282,115 2,754,934(12) -- -- -- ----------- ---------- - ---------- --------- - ---------- Total revenues......... 10,893,459 12,529,073 3,228,104 1,443,520 2,259,422 EXPENSES Depreciation and amortization........... 1,478,470 1,660,526(12) 691,894(13) 285,484(14) 552,166(15) Property expenses........ 93,502 93,502(12) -- - - -- General and administrative......... 5,057,284 -- -- -- -- Costs of terminated acquisitions........... 585,345 -- -- -- -- -- --------- ----------- ---------- ---------- ---------- Total operating expense.............. 7,214,601 1,754,028 691,894 285,484 552,166 ----------- -- --------- ---------- - --------- ---------- Operating income..... 3,678,858 10,775,045 2,536,210 1,158,036 1,707,256 OTHER INCOME (EXPENSE) Interest income.......... 930,260 -- -- -- -- Interest expense......... (32,769) -- -- -- -- - ---------- ----------- ---------- ---------- ---------- Net other income....... 897,491 -- -- -- -- ---------- - ----------- -------- -- ---------- -------- -- NET INCOME........... $ 4,576,349 $10,775,045 $2,536,210 $1,158,036 $1,707,256 =========== =========== ========== ========== ========== NET INCOME PER SHARE -- BASIC..... $ 0.24 NET INCOME PER SHARE -- DILUTED... $ 0.24 WEIGHTED AVERAGE SHARES OUTSTANDING -- BASIC.. 19,310,833

WEIGHTED AVERAGE
SHARES OUTSTANDING --
DILUTED...........
19,312,634
PROBABLE ACQUISITION
PRO FORMA TRANSACTIONS
EFFECT OF ------------
COMPLETED GULF STATES
COMPANY TRANSACTIONS
HEALTH PRO FORMA -----
------- ------------ -
---------- REVENUES
Rent
income.............
$25,316,529
$2,044,150(16)
$27,360,679 Interest
income from
loans..................
5,037,049 -- 5,037,049
----------- ----------
----------- Total
revenues.........
30,353,578 2,044,150
32,397,728 EXPENSES
Depreciation and
amortization...........
4,668,540 404,271(16)
5,072,811 Property
expenses........
187,004 -- 187,004
General and
administrative.........
5,057,284 -- 5,057,284
Costs of terminated
acquisitions...........
585,345 -- 585,345 ---
-------- ---------- --
--------- Total
operating
expense.............
10,498,173 404,271
10,902,444 -----------
---------- -----------
Operating income.....
19,855,405 1,639,879
21,495,284 OTHER
INCOME (EXPENSE)
Interest
income..........
930,260 -- 930,260
Interest
expense.........
(32,769) -- (32,769) -
---------- ----------
----------- Net other
income....... 897,491
-- 897,491 -----------
---------- -----------
NET INCOME..........
$20,752,896 $1,639,879
$22,392,775
=========== ==========
=========== NET INCOME
PER SHARE --
BASIC..... $ 0.73 NET
INCOME PER SHARE --
DILUTED... $ 0.73
WEIGHTED AVERAGE
SHARES OUTSTANDING --
BASIC.. 30,863,833(17)
WEIGHTED AVERAGE
SHARES OUTSTANDING --
DILUTED...........
30,865,634(17)

See accompanying Notes to unaudited pro forma consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

ADJUSTMENTS FOR UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2005

(1) Record the $.11 per share distribution declared and accrued in March, 2005, and paid in April, 2005, and the $.16 per share distribution declared in May, 2005, payable in July, 2005.

Shares of common stock outstanding at March 31, 2005	26,082,862	26,082,862	
Restricted shares issued to employees on April 25, 2005	--	82,000	
Total shares	26,082,862	26,164,862	
Cash distribution per share	$ 0.11	$ 0.16	
Total cash distribution	$ 2,869,115	$ 4,186,378	$ 7,055,493

(2) Completed Acquisition: Records the acquisition of the Gulf States - Covington facility as though we acquired it on March 31, 2005. This facility was actually acquired on June 9, 2005.

	COST
Land	$ 821,429
Building	10,234,101
Intangible lease assets	444,470
Total cost	$11,500,000

(3) Completed Acquisition: Records the acquisition of the Vibra-Redding facility as though we acquired it on March 31, 2005. This facility was actually acquired on June 30, 2005.

Building	$19,948,022
Intangible lease assets	801,978
Total cost	$20,750,000

(4) Records the issuance of 11,365,000 common shares at a public offering price of $11.00 per share less underwriting commission and other expenses, calculated as follows:

Number of Shares Offered	11,365,000
Price per Share	$ 11.00
Gross Proceeds	$125,015,000
Less: Underwriting discounts, commissions and other transaction costs	(11,751,050)
Net proceeds from offering	$113,263,950
Common stock at par value	$ 11,365
Additional paid in capital	113,252,585
Pro forma adjustment to cash	$113,263,950

(5) Probable Acquisition: Records the acquisition of two Gulf States Health facilities as though we acquired them on March 31, 2005. The Company has not closed on the acquisition of these facilities, but the Company believes that the acquisitions are probable.

COST	DENHAM SPRINGS	HAMMOND	TOTAL FOR GULF STATES HEALTH PROBABLE ACQUISITIONS
Land	$ 428,571	$ 734,643	$ 1,163,214
Building	5,339,532	9,152,846	14,492,378
Intangible lease assets	231,897	397,511	629,408
Total cost	$6,000,000	$10,285,000	$16,285,000

(6) Records compensation expense related to restricted stock awards for 106,000 shares made to senior management upon completion of this offering and for 82,000 made to other employees on April 25, 2005, calculated by multiplying the number of shares awarded times the price per share of common stock in this offering:

Shares of common stock awarded	188,000
Price per share of common stock in this offering	$ 11.00
Total value of shares awarded	$2,068,000
Common stock at par value	$ 188
Additional paid in capital	2,067,812
Pro forma adjustment to accumulated deficit	$2,068,000

No adjustment for this is shown in the accompanying pro forma statement of operations since the impact is non-recurring as defined in Regulation S-X 210.11-02(b)(5).

ADJUSTMENTS FOR UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2005:

(7) Completed Acquisition: Records three months of rent income for the Desert Valley -- Victorville facility as though we owned it from January 1, 2005, to March 31, 2005. This facility was acquired on February 28, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the Desert Valley -- Victorville for the three months ended March 31, 2005 consists of the following:

	RENT
Rent income for three months of the first year	$807,026
Historical rent for the period February 28 - March 31, 2005	277,577
Pro forma rent income	$529,449

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the three months ended March 31, 2005 as though the properties were occupied on January 1, 2005.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION THREE MONTHS	HISTORICAL DEPRECIATION AND AMORTIZATION FOR FEBRUARY 28 - MARCH 31, 2005	PRO FORMA DEPRECIATION AND AMORTIZATION FOR THREE MONTHS
Land	$ 2,000,000	$ --	$ --	$ --	$ --
Buildings	24,994,553	624,864	156,216	52,072	104,144
Intangible lease assets	1,005,447	67,030	16,758	5,586	11,172
	$28,000,000	$691,894	$172,974	$57,658	$115,316

(8) Completed Acquisition: Records three months of rent income for the Gulf States -- Covington facility as though we owned it from January 1, 2005, to March 31, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the three months ended March 31, 2005 consists of the following:

	ANNUAL RENT	THREE MONTHS RENT
Gulf States -- Covington	$1,443,520	$360,880

Depreciation of the building (straight line using a 40-year life) and amortization of the intangible lease assets (straight-line using a 15 year life) for the quarter ended March 31, 2005 as though the property was occupied on January 1, 2005.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR THREE MONTHS
Land	$ 821,429	$ --	$ --
Buildings	10,234,101	255,853	63,963
Intangible lease assets	444,470	29,631	7,408
	$11,500,000	$285,484	$71,371

(9) Completed Acquisition: Records three months of rent income for the Vibra -- Redding facility as though we owned it from January 1, 2005, to March 31, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the three months ended March 31, 2005 consists of the following:

	ANNUAL RENT	THREE MONTHS RENT
Vibra -- Redding	$2,259,422	$564,856

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the quarter ended March 31, 2005 as though the property was occupied on January 1, 2005.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR THREE MONTHS
Buildings	$19,948,022	$498,701	$124,675
Intangible lease assets	801,978	53,465	13,366
	$20,750,000	$552,166	$138,041

(10) Probable Acquisition: Records three months of rent income for the two Gulf States Health facilities as though we owned them from January 1, 2005, to March 31, 2005. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and

the lessee. Pro forma rent income for the two Gulf States Health facilities for the three months ended March 31, 2005 consists of the following:

	ANNUAL RENT	THREE MONTHS RENT
Gulf States -- Denham Springs	$ 753,141	$188,285
Gulf States -- Hammond	1,291,009	322,752
	$2,044,150	$511,037

Depreciation of buildings (straight line using a 40 year life) and amortization of intangibles (straight-line using a 15 year life) for the three months ended March 31, 2005 as though the properties were occupied on January 1, 2005.

	COST DENHAM SPRINGS	COST HAMMOND	ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR THREE MONTHS
Land	$ 428,571	$ 734,643	$ --	$ --
Buildings	5,339,532	9,152,846	362,310	90,578
Intangible lease assets	231,897	397,511	41,961	10,490
	$6,000,000	$10,285,000	$404,271	$101,068

(11) Pro forma weighted average shares outstanding, basic and diluted, are calculated as follows:

	BASIC	DILUTED
Historical	26,099,195	26,103,259
Effect of this offering	11,365,000	11,365,000
Restricted shares awarded to management and employees	188,000	188,000
Pro forma weighted average shares	37,652,195	37,656,259

The shares issued in this offering and the restricted shares awarded to management and employees are shown as though they were issued on January 1, 2005.

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share should be calculated based on the pro forma effect of shares assumed to be issued when dividends are paid in excess of earnings. As of March 31, 2005, cumulative net income for 2004 and the three months ended March 31, 2005, totaled $8,136,283. Cumulative distributions, including the distribution declared May 20, 2005, totaled $12,532,895, resulting in excess distributions during the period of $4,396,612. The pro forma weighted average shares in our unaudited consolidated statement of operations for the three months ended March 31, 2005, assume the issuance of 399,692 shares at an offering price of $11.00 per share, or proceeds of $4,396,612, to pay these distributions in excess of net income. See unaudited Note 6 at page F-19 for related pro forma presentation.

ADJUSTMENTS FOR UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2004:

(12) Completed Acquisition: Records year of rent income for the six Vibra initial property purchases as though we owned them from January 1, 2004, to December 31, 2004. Rent income is based on the monthly straight-line rent (as required by SFAS No. 13) for each property. Rent income from the Vibra properties is as follows:

	ANNUAL RENT
Bowling Green	$ 5,471,964
Fresno	2,675,182
Kentfield	1,094,393
Marlton	4,752,598
New Bedford	3,171,528
Denver	1,219,818
TOTAL	18,385,483
Historical rent income for July 1 - December 31, 2004	8,611,344
Pro forma rent income	$ 9,774,139

Records interest income from loans to Vibra entities as though the loans were made on January 1, 2004 and interest income was earned for the year ended December 31, 2004, at the stated rate of 10.25%.

	LOANS	ANNUAL INTEREST INCOME
Bowling Green	$11,771,389	$1,206,567
Fresno	6,561,308	672,534
Kentfield	5,422,387	555,795
Marlton	11,203,366	1,148,345
New Bedford	8,361,930	857,098
Denver	5,821,564	596,710
TOTAL	$49,141,944	5,037,049
Historical interest income for July 1 - December 31, 2004		2,282,115
Pro forma interest income		$2,754,934

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	ANNUAL DEPRECIATION	ANNUAL AMORTIZATION	TOTAL DEPRECIATION AND AMORTIZATION
Bowling Green	$839,268	$104,736	$ 944,004
Fresno	409,080	51,204	460,284
Kentfield	119,124	23,808	142,932
Marlton	772,572	90,972	863,544
New Bedford	494,304	60,384	554,688
Denver	150,324	23,220	173,544
TOTAL	2,784,672	354,324	3,138,996
Historical depreciation and amortization for July 1 - December 31, 2004	1,311,757	166,713	1,478,470
Pro forma depreciation and amortization	$1,472,915	$187,611	$1,660,526

Property expenses consist primarily of payments for the ground lease at Marlton for the year ended December 31, 2004.

(13) Completed Acquisition: Records one year of rent income for the Desert Valley -- Victorville facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the Desert Valley -- Victorville for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Desert Valley -- Victorville	$3,228,104

Depreciation of buildings (straight line using a 40 year life) and amortization of intangible lease assets (straight line using a fifteen year life) for the year ended December 31, 2004 as though the properties were occupied on January 1, 2004.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION
Land	$ 2,000,000	$ --
Buildings	24,994,553	624,864
Intangible lease assets	1,005,447	67,030
	$28,000,000	$691,894

(14) Completed Acquisition: Records one year of rent income for the Gulf States -- Covington facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Gulf States -- Covington	$1,443,520

Depreciation of the building (straight line using a 40 year life) and amortization of the intangible lease asset (straight-line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION
Land	$ 821,429	$ --
Buildings	10,234,101	255,853
Intangible lease assets	444,470	29,631
	$11,500,000	$285,484

(15) Completed Acquisition: Records one year of rent income for the Vibra -- Redding facility as though we owned it from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreements between the Company and the lessee. Pro forma rent income for the facility for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Vibra -- Redding	$2,259,422

Depreciation of the building (straight line using a 40 year life) and amortization of the intangible lease asset (straight-line using a fifteen year life) for the year ended December 31, 2004 as though the properties were acquired on January 1, 2004.

	COST	ANNUAL DEPRECIATION AND AMORTIZATION
Buildings	$19,948,022	$498,701
Intangible lease assets	801,978	53,465
	$20,750,000	$552,166

(16) Probable Acquisition: Records one year of rent income for the three Gulf States Health facilities as though we owned them from January 1, 2004, to December 31, 2004. Rent income is based on the straight-line rent (as required by SFAS No. 13) in the lease agreement between the Company and the lessee. Pro forma rent income for the Gulf States Health facilities for the year ended December 31, 2004 consists of the following:

	ANNUAL RENT
Gulf States -- Denham Springs	$ 753,141
Gulf States -- Hammond	1,291,009
	$2,044,150

Depreciation of buildings (straight-line using a 40 year life) and amortization of intangible lease assets (straight-line using a fifteen year life) for the year ended December 31, 2004 as though the properties were occupied on January 1, 2004.

	COST		ANNUAL DEPRECIATION AND AMORTIZATION
	DENHAM SPRINGS	HAMMOND	
Land	$ 428,571	$ 734,643	$ --
Buildings	5,339,532	9,152,846	362,310
Intangible lease assets	231,897	397,511	41,961
	$6,000,000	$10,285,000	$404,271

(17) Pro forma weighted average shares outstanding, basic and diluted, are calculated as follows:

	BASIC	DILUTED
Historical...	19,310,833	19,312,634
Effect of this offering....................................	11,365,000	11,365,000
Restricted shares awarded to management and employees.......	188,000	188,000
	----------	----------
Pro forma weighted average shares...........................	30,863,833	30,865,634
	==========	==========

The shares issued in this offering and the restricted shares awarded to management and employees are shown as though they were issued on January 1, 2004.

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share should be calculated based on the pro forma effect of shares assumed to be issued when dividends are paid in excess of earnings. As of March 31, 2005, cumulative net income for 2004 and the three months ended March 31, 2005, totaled $8,136,283. Cumulative distributions, including the distribution declared May 20, 2005, totaled $12,532,895, resulting in excess distributions during the period of $4,396,612. The pro forma weighted average shares in our unaudited consolidated statement of operations for the three months ended March 31, 2005, assume the issuance of 399,692 shares at an offering price of $11.00 per share, or proceeds of $4,396,612, to pay these distributions in excess of net income. See unaudited Note 13 at page F-36 for related pro forma presentation.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
March 31, 2005 and December 31, 2004

	MARCH 31, 2005 (UNAUDITED)	DECEMBER 31, 2004 (AUDITED)
ASSETS		
Real estate assets		
Land	$ 12,670,000	$ 10,670,000
Buildings and improvements	136,381,785	111,387,232
Construction in progress	36,757,429	24,318,098
Intangible lease assets	6,320,410	5,314,963
Gross investment in real estate assets	192,129,624	151,690,293
Accumulated depreciation	(2,059,997)	(1,311,757)
Accumulated amortization	(260,880)	(166,713)
Net investment in real estate assets	189,808,747	150,211,823
Cash and cash equivalents	82,053,255	97,543,677
Interest and rent receivable	748,677	419,776
Unbilled rent receivable	5,177,925	3,206,853
Loans	42,498,111	50,224,069
Other assets	6,017,364	4,899,865
TOTAL ASSETS	$326,304,079	$306,506,063
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Long-term debt	$ 74,141,667	$ 56,000,000
Accounts payable and accrued expenses	10,072,197	10,903,025
Deferred revenue	4,518,896	3,578,229
Lease deposits	3,314,556	3,296,365
Total liabilities	92,047,316	73,777,619
Minority interest	1,762,500	1,000,000
Stockholders' equity (deficit)		
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 March 31, 2005 and December 31, 2004	26,083	26,083
Additional paid in capital	233,701,690	233,626,690
Accumulated deficit	(1,233,510)	(1,924,329)
Total stockholders' equity	232,494,263	231,728,444
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$326,304,079	$306,506,063

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
For the Three Months Ended March 31, 2005 and March 31, 2004
(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2005	THREE MONTHS ENDED MARCH 31, 2004
REVENUES		
Rent billed	$ 3,923,049	$ --
Unbilled rent	1,345,441	--
Interest income from loans	1,212,038	--
Total revenues	6,480,528	--
EXPENSES		
Real estate depreciation	748,240	--
Amortization of intangible lease assets	94,167	--
Other property expenses	29,466	--
General and administrative	1,698,249	485,504
Costs of terminated acquisitions	23,095	--
Total operating expenses	2,593,217	485,504
Operating income (loss)	3,887,311	(485,504)
OTHER INCOME (EXPENSE)		
Interest income	383,772	--
Interest expense	(711,149)	(8,222)
Net other expense	(327,377)	(8,222)
NET INCOME (LOSS)	$ 3,559,934	$(493,726)
NET (LOSS) PER SHARE, BASIC	$ .14	$ (0.30)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC	26,099,195	1,630,435
NET (LOSS) PER SHARE, DILUTED	$ .14	$ (0.30)
WEIGHTED AVERAGE SHARES OUTSTANDING, DILUTED	26,103,259	1,630,435

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2005 and March 31, 2004
(Unaudited)

THREE MONTHS ENDED THREE MONTHS ENDED MARCH 31, 2005
MARCH 31, 2004 ------------------ ------------------
OPERATING ACTIVITIES Net income
(loss).. $
3,559,934 $(493,726) Adjustments to reconcile net income
(loss) to net cash provided by operating activities
Depreciation and amortization........................
874,730 -- Amortization of deferred financing
costs............. 143,172 -- Unbilled rent
revenue................................ (1,345,441) --
Deferred fee revenue.................................
(34,964) -- Deferred stock units issued to
directors.............. 75,000 -- Increase in: Interest
and rent receivable......................... (328,901) -
- Other assets..
(837,057) (25,173) Increase in: Accounts payable and
accrued expenses................ (830,828) 375,964
Deferred revenue.....................................
350,000 -- Lease
deposits....................................... 18,191 -
- ------------ --------- Net cash provided by (used for)
operating activities...... 1,643,836 (142,935) INVESTING
ACTIVITIES Real estate
acquired................................... (28,000,000)
-- Loans
receivable.......................................
7,725,958 -- Construction in
progress............................... (12,439,331)
(4,143) Equipment
acquired..................................... (15,698)
(4,972) ------------ --------- Net cash used for
investing activities.................... (32,729,071)
(9,115) FINANCING ACTIVITIES Addition to long-term
debt............................. 19,000,000 -- Proceeds
from loan payable............................. --
100,000 Payments of long-term
debt............................. (858,333) -- Deferred
financing costs............................... (440,239)
-- Distributions
paid..................................... (2,869,115) --
Sale of partnership units.............................
762,500 -- ------------ --------- Net cash provided by
financing activities................ 15,594,813 100,000
------------ --------- Increase in cash and cash
equivalents for period.......... (15,490,422) (52,050)
Cash and cash equivalent at beginning of period.........
97,543,677 100,000 ------------ --------- CASH AND CASH
EQUIVALENTS AT END OF PERIOD.................. $
82,053,255 $ 47,950 ============ ========= Supplemental
schedule of non-cash investing activities: Additions to
unbilled rent receivable recorded as deferred
revenue..
$ 625,631 $ -- Supplemental schedule of non-cash
financing activities: Distributions declared, not
paid......................... 2,869,115 -- Additional
paid in capital from deferred stock units issued to
directors.................................... 75,000 --
Interest paid, net of capitalized interest of $395,401 in
2005...
567,977 8,222

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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 presently 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 and has been included in the accompanying consolidated statement of operations.

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 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.

The Company has filed with the Securities and Exchange Commission (SEC) a Form S-11 registration statement for an Initial Public Offering (IPO) of common stock. The Company has not determined the number of shares nor price per share to be offered in the IPO. The size of the offering will be determined based on the volume of purchase commitments which the Company has entered into at the time the registration statement becomes effective with the SEC.

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.

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 period ended March 31, 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

On February 9, 2005, Vibra paid $7.8 million of principal and interest on various 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 for $28 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 fifteen year lease of the hospital back to the seller, with renewal options for three additional five year terms. The Company has recorded the following assets from this transaction:

Land	$ 2,000,000
Building	24,994,553
Intangible lease assets	1,005,447
	$28,000,000

The Company has amended its leases with Vibra effective March 31, 2005. The amendment revises the financial covenants to cover a full twelve months period of operations, revises the percentage rents calculations to clarify the effects of Vibra reducing its loan balances with the Company, and allows the Company to require Vibra to escrow future insurance and property tax payments on the leased properties.

As of March 31, 2005, the Company has sold $762,500 of limited partnership units to qualified individual investors in a private offering of the Company's general acute care hospital and medical office building limited partnerships in Texas. The period of the offering will extend through April 30, 2005.

4. LONG-TERM DEBT

In December 2004, the Company received $56 million as part of a $75 million, three year term loan. In February 2005, the Company received the remaining $19 million on this loan. All other terms and conditions of the loan remain unchanged.

Maturities of long-term debt at March 31, 2005, for each successive twelve month period are as follows:

2006	$ 3,750,000
2007	3,750,000
2008	66,641,667
	$74,141,667

5. STOCK AWARDS

In February, 2005, the Company awarded 7,500 deferred stock units valued at $10 per share to three new independent directors elected to the Company's board. The total value of $75,000 has been recorded as additional paid-in-capital in the consolidated balance sheet at March 31, 2005, and an expense in the consolidated income statement for the three months ended March 31, 2005.

6. EARNINGS PER SHARE

The following is a reconciliation of the weighted average shares to the weighted average shares assuming dilution for the three months ended March 31, 2005 and 2004, respectively:

	2005	2004
Historical Weighted Average Shares		
Weighted average number of shares issued and outstanding	26,082,862	1,630,435
Vested deferred stock units	16,333	--
Weighted average shares -- basic	26,099,195	1,630,435
Common stock warrants and options	4,425	--
Weighted average shares -- diluted	26,103,620	1,630,435

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share must be calculated based on the pro forma effect of shares assumed to be issued in an initial public offering when dividends are paid in excess of earnings. As of March 31, 2005, cumulative net income for 2004 and the three months ended March 31, 2005, totaled $8,136,283. Cumulative distributions, including the distribution declared May 20, 2005, totaled $12,532,895, resulting in excess distributions during this period of $4,396,612. The pro forma weighted average shares in the table below assumes the issuance of 399,692 shares at an offering price of $11.00 per share, or proceeds of $4,396,612, to pay these distributions in excess of net income.

	BASIC	DILUTED
Pro forma weighted average shares for the three months ended March 31, 2005:		
Historical from above	26,099,195	26,103,620
Pro forma effect of assumed additional shares	399,692	399,692
Pro forma weighted average shares	26,498,887	26,502,951
Pro forma earnings per share	$ 0.13	$ 0.13

The pro forma effect of this excess distribution of $4,396,612 on the March 31, 2005 consolidated balance sheet would be to reduce cash and cash equivalents to a balance of $77,656,643 and to increase the accumulated deficit to a balance of $5,630,122.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 2004 and for the period from inception (August 27, 2003) to December 31, 2003. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement Schedule III. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the year ended December 31, 2004 and for the period from inception (August 27, 2003) to December 31, 2003 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ KPMG LLP

Birmingham, Alabama
March 16, 2005

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2004 and December 31, 2003

	DECEMBER 31, 2004	DECEMBER 31, 2003
ASSETS		
Real estate assets		
Land	$ 10,670,000	$ --
Buildings and improvements	111,387,232	--
Construction in progress	24,318,098	166,301
Intangible lease assets	5,314,963	--
Gross investment in real estate assets	151,690,293	166,301
Accumulated depreciation	(1,311,757)	--
Accumulated amortization	(166,713)	--
Net investment in real estate assets	150,211,823	166,301
Cash and cash equivalents	97,543,677	100,000
Interest receivable	419,776	--
Unbilled rent receivable	3,206,853	--
Loans receivable	50,224,069	--
Other assets	4,899,865	201,832
TOTAL ASSETS	$306,506,063	$ 468,133
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities		
Long-term debt	$ 56,000,000	$ --
Accounts payable and accrued expenses	10,903,025	1,389,779
Deferred revenue	3,578,229	--
Lease deposit	3,296,365	--
Loan payable	--	100,000
Total liabilities	73,777,619	1,489,779
Minority interest	1,000,000	--
Stockholders' equity (deficit)		
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 December 31, 2004 and 1,630,435 shares at December 31, 2003	26,083	1,630
Additional paid in capital	233,626,690	--
Accumulated deficit	(1,924,329)	(1,023,276)
Total stockholders' equity (deficit)	231,728,444	(1,021,646)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$306,506,063	$ 468,133

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
For The Year Ended December 31, 2004 and
Period from Inception (August 27, 2003) through December 31, 2003

	YEAR ENDED DECEMBER 31, 2004	PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003
REVENUES		
Rent billed	$ 6,162,278	$ --
Unbilled rent	2,449,066	--
Interest income from loans	2,282,115	--
Total revenues	10,893,459	--
EXPENSES		
Real estate depreciation	1,311,757	--
Amortization of intangible lease assets	166,713	--
Other property expenses	93,502	--
General and administrative	5,057,284	992,418
Costs of terminated acquisitions	585,345	30,858
Total operating expenses	7,214,601	1,023,276
Operating income (loss)	3,678,858	(1,023,276)
OTHER INCOME (EXPENSE)		
Interest income	930,260	--
Interest expense	(32,769)	--
Net other income	897,491	--
NET INCOME (LOSS)	$ 4,576,349	$(1,023,276)
NET INCOME (LOSS) PER SHARE, BASIC	$ 0.24	$ (0.63)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC	19,310,833	1,630,435
NET INCOME (LOSS) PER SHARE, DILUTED	$ 0.24	$ (0.63)
WEIGHTED AVERAGE SHARES OUTSTANDING, DILUTED	19,312,634	1,630,435

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For The Year Ended December 31, 2004 and
Period from Inception (August 27, 2003) through December 31, 2003

	YEAR ENDED DECEMBER 31, 2004	PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003
OPERATING ACTIVITIES		
Net income (loss)	$ 4,576,349	$(1,023,276)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,517,530	--
Unbilled rent revenue	(2,449,066)	--
Warrant issued to lender	24,500	--
Deferred stock units issued to directors	125,000	--
Increase in:		
Interest receivable	(419,776)	--
Other assets	(309,769)	--
Increase in:		
Accounts payable and accrued expenses	6,644,130	1,391,409
Deferred revenue	210,000	--
Net cash provided by operating activities	9,918,898	368,133
INVESTING ACTIVITIES		
Real estate acquired	(127,372,195)	--
Loans receivable	(44,317,263)	--
Construction in progress	(23,151,797)	(166,301)
Equipment acquired	(759,387)	--
Net cash used for investing activities	(195,600,642)	(166,301)
FINANCING ACTIVITIES		
Addition to long-term debt	56,000,000	--
Proceeds from loan payable	200,000	100,000
Payment of loan payable	(300,000)	--
Deferred financing costs	(3,869,767)	(201,832)
Distributions paid	(2,608,286)	--
Sale of common stock, net of offering costs	233,703,474	--
Net cash provided by (used for) financing activities	283,125,421	(101,832)
Increase in cash and cash equivalents for period	97,443,677	100,000
Cash at beginning of period	100,000	--
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 97,543,677	$ 100,000
Supplemental schedule of non-cash investing activities:		
Additions to unbilled rent receivables recorded as deferred revenue	$ 757,787	$ --
Additions to loans receivable recorded as lease deposits and deferred revenue	5,906,807	--
Supplemental schedule of non-cash financing activities:		
Minority interest granted for contribution of land to development project	1,000,000	--
Distributions declared, not paid	2,869,116	--
Deferred offering costs charged to proceeds from sale of common stock	201,832	--
Additional paid in capital from deferred stock units issued to directors	125,000	--
Conversion of accounts payable and accrued expenses to common stock	--	1,630
Interest expense paid	32,769	--

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)
For the Year Ended December 31, 2004
and Period from Inception (August 27, 2003) through December 31, 2003

	PREFERRED SHARES	PREFERRED PAR VALUE	COMMON SHARES	COMMON PAR VALUE	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT INCEPTION (AUGUST 27, 2003).......	--	$ --	--	$ --	$ --	$ --	$ --
Issuance of common stock.................	--	--	1,630,435	1,630	--	--	1,630
Net loss................	--	--	--	--	--	(1,023,276)	(1,023,276)
BALANCE AT DECEMBER 31, 2003....................	--	--	1,630,435	1,630	--	(1,023,276)	(1,021,646)
Redemption of founders' shares................	--	--	(1,108,527)	(1,108)	1,108	--	--
Issuance of common stock in private placement (net of offering costs)................	--	--	25,560,954	25,561	233,476,082	--	233,501,643
Value of warrants issued...............	--	--	--	--	24,500	--	24,500
Deferred stock units issued to directors...	--	--	--	--	125,000	--	125,000
Distributions declared ($.21 per common share)................	--	--	--	--	--	(5,477,402)	(5,477,402)
Net income..............	--	--	--	--	--	4,576,349	4,576,349
BALANCE AT DECEMBER 31, 2004....................	--	$ --	26,082,862	$26,083	$233,626,690	$(1,924,329)	$231,728,444

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND
PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003

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 presently 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 and has been included in the accompanying consolidated statement of operations.

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 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.

The Company has filed with the Securities and Exchange Commission (SEC) a Form S-11 registration statement for an Initial Public Offering (IPO) of common stock. The Company has not determined the number of shares nor price per share to be offered in the IPO.

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.

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.

Cash and Cash Equivalents: Certificates of deposit and short-term investments with remaining maturities of three months or less when acquired and money-market mutual funds are considered cash equivalents.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or other capital instruments that directly relate to the offering are deferred and netted against proceeds received from the offering. Costs incurred in connection with anticipated financings and refinancing of debt are capitalized as deferred financing costs in other assets and amortized over the lives of the related loans as an addition to interest expense to produce a constant effective yield on the loan (interest method). Costs that are specifically identifiable with, and incurred prior to the completion of, probable acquisitions are deferred and capitalized upon closing. The Company begins deferring costs when the Company and the seller have executed a letter of intent (LOI), commitment letter or similar document for the purchase of the property by the Company. Deferred acquisition costs are expensed when management determines that the acquisition is no longer probable. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to lessees are recognized as a reduction in interest income over the life of the loan by the interest method.

Revenue Recognition: The Company receives income from operating leases based on the fixed, minimum required rents (base rent) and from additional rent based on a percentage of tenant revenues once the tenant's revenue has exceeded an annual threshold (percentage rent). Rent revenue is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for acquired properties. The straight-line method records the periodic average amount of rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method has the effect of recording more rent revenue from a lease than a tenant is required to pay during the first half of the lease term. During the last half of a lease term, this effect reverses with less rent revenue recorded than a tenant is required to pay. Rent revenue as recorded on the straight-line method in the consolidated statement of operations is shown as two amounts. Billed rent revenue is the amount of rent actually billed to the customer each period as required by the lease. Unbilled rent revenue is the difference between rent revenue earned based on the straight-line method and the amount recorded as billed rent revenue. These differences between rental revenues earned and amounts due per the respective lease agreements are charged, as applicable, to unbilled rent receivable. Percentage rents are recognized in the period in which revenue thresholds are met. Rental payments received prior to their recognition as income are classified as rent received in advance.

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

Acquired Real Estate Purchase Price Allocation: The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets acquired based on their fair values in accordance with the provisions of SFAS No. 141, Business Combinations. In making estimates of fair values for purposes of allocating purchase prices, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

The Company records above-market and below-market in-place lease values, if any, for its facilities 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. The Company amortizes any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The Company amortizes any resulting capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. Because the Company's strategy largely involves the origination of long term lease arrangements at market rates, management does not expect the above-market and below-market in-place lease values to be significant for many anticipated transactions.

The Company measures 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. Management also considers information obtained about each targeted facility as a result of 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 are expected to range primarily from three to eighteen 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.

The Company amortizes the value of in-place leases, if any, to expense over the initial term of the respective leases, which 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.

Real Estate and Depreciation: Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets, as follows:

Buildings and improvements	40 years
Tenant origination costs	Remaining terms of the related leases
Tenant improvements	Term of related leases
Furniture and equipment	3-7 years

Real estate is carried at depreciated cost. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. In accordance with SFAS No. 144, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of assets. For assets held for sale, impairment is measured as the difference between carrying value and fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest.

Construction in progress includes the cost of land, the cost of construction of buildings, improvements and equipment and costs for design and engineering. Other costs, such as interest, legal, property taxes and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress.

Loans Receivable: Real estate related loans consist of working capital loans and long-term loans. Interest income on loans is recognized as earned based upon the principal amount outstanding. The working capital and long-term loans are generally secured by interests in receivables and corporate and individual guaranties.

Losses from Rent Receivables and Loans Receivable: A provision for losses on rent receivables and 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 rent or loan to its estimated net realizable 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, the Company discontinues recording interest income on the loan or rent receivable from the tenant.

Net Income (Loss) Per Share: The Company reports earnings per share pursuant to SFAS No. 128, Earnings Per Share. Basic net income (loss) per share is computed by dividing the net income (loss) to common stockholders by the weighted average number of common shares and potential common stock outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the assumed conversion of all potentially dilutive outstanding share options.

Income Taxes: For the period from January 1, 2004 through April 5, 2004, the Company has elected Sub-chapter S status for income tax purposes, at which time the Company filed its final tax returns as a Sub-chapter S company. Since April 6, 2004, the Company has conducted its business as a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Company will file its initial tax return as a REIT for the period from April 6, 2004, through December 31, 2004, at which time it must formally make an election to be taxed as a REIT. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute to shareholders at least 90% of its ordinary taxable income. As a REIT, the Company generally will not be subject to federal income tax on taxable income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income taxes on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company's net income and net cash available for distribution to shareholders. However, the Company believes that it will be organized and operate in such a manner as to qualify for treatment as a REIT and intends to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

The Company's financial statements include the operations of a taxable REIT subsidiary, MPT Development Services, Inc. (MDS) that is not entitled to a dividends paid deduction and is subject to federal, state and local income taxes. MDS is authorized to provide property development, leasing and management services for third-party owned properties and makes loans to lessees and operators.

Stock-Based Compensation: The Company currently sponsors a stock option and restricted stock award plan that was established in 2004. The Company accounts for its stock option plan under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25) and related interpretations. Under APB No. 25, no expense is recorded for options which are exercisable at the price of the Company's stock at the date the options are granted. Deferred compensation on restricted stock relates to the issuance of restricted stock to employees and directors of the Company. Deferred compensation is amortized to compensation expense based on the passage of time and certain performance criteria.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of cash and cash equivalents, interest receivable and accounts payable and accrued expenses approximates their fair values. The fair value of unbilled rent receivable has been estimated based on expected payment dates and discounted at a rate which the Company considers appropriate for such assets considering their credit quality and maturity. The fair value of loans receivable is estimated based on the present value of future payments, discounted at a rate which the Company considers appropriate for such assets considering their credit quality and maturity. The Company estimates that the carrying value of the Company's long term debt should approximate fair value because the debt is variable rate and adjusts daily with changes in the underlying interest rate index.

Reclassifications: Certain reclassifications have been made to the 2003 consolidated financial statements to conform to the 2004 consolidated financial statement presentation. These reclassifications have no impact on shareholders' equity or net income.

New Accounting Pronouncements: The following is a summary of recently issued accounting pronouncements which have been issued but not yet adopted by the Company and which could have a material effect on the Company's financial position and results of operations.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share-Based Payment, which is a revision of SFAS No. 123(R), 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. This 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. The Company does not expect SFAS No. 123(R) to have a material effect on its financial position or the results of its operations.

3. PROPERTY ACQUISITIONS AND LOANS

On July 1, 2004, the Company purchased four rehabilitation facilities at a price of $96.8 million, which were then leased to a new operator of the facilities, Vibra Healthcare, LLC and its operating subsidiaries (collectively, Vibra). The Company also made loans of $33.3 million to Vibra. On August 18, 2004, the Company purchased two additional rehabilitation facilities for $30.6 million, which were then leased to Vibra, and made additional loans to Vibra of $13.8 million. The Company made an additional $2 million loan to Vibra on October 1, 2004. Loans totaling $42.9 million accrue interest at the rate of 10.25% per year and are to be paid over 15 years with interest only for the first three years and the principal balance amortizing over the remaining 12 year period. Loans totaling $6.2 million accrue interest at the rate of 10.25% per year. Vibra will pay fees of $1.5 million to the Company for transacting the leases and loans. The Company has determined that Vibra is a variable interest entity as defined by FIN 46-R. The Company has also determined that it is not the primary beneficiary of Vibra and, therefore, has not consolidated Vibra in the Company's consolidated financial statements. For the year ended December 31, 2004, Vibra has been the only tenant which is required to make payments under operating leases and loans from the Company.

The Company recorded intangible lease assets of $5,314,963 representing the estimated value of the Vibra leases which were entered into at the date the Company acquired the facilities. The Company recorded amortization expense of $166,713 and expects to recognize amortization expense of $354,324 in each of the next five years.

As security for the loans, each of the Vibra tenants and Vibra have granted the Company a security interest in their respective rights to receive payments, directly or indirectly, for any goods or services provided to any persons or entities; any records or data related to those rights; and all cash and non-cash proceeds resulting from those rights. As additional security, Vibra has pledged to the Company all of its interests in each of the tenants. One individual is the majority owner of Vibra, The Hollinger Group and Vibra Management, LLC. The owner of Vibra has pledged his interest in Vibra to secure the loans. In addition, The Hollinger Group and Vibra Management have guaranteed the loans. The owner of Vibra has also provided a $5 million personal guarantee.

4. LONG-TERM DEBT AND LOAN PAYABLE

In 2003, the Company entered into a loan agreement which provided for maximum borrowings of $300,000 if certain conditions were met by the Company. Borrowings under the agreement ($100,000 at December 31, 2003) accrued interest at 20% per annum and were due upon the earlier of (i) the third business day following the funding of the Company's private placement or (ii) March 29, 2004. During the first three months of 2004, the Company increased its borrowings on the loan to $300,000, which was paid in full in April 2004. Contemporaneous with the private placement, the Company issued to the lender a warrant to purchase up to 35,000 shares of the Company's common stock at a price per share equal to 93% of the price at which the Company's shares were offered to investors in the private placement. The warrant has been recorded in the consolidated balance sheet using the intrinsic value method as an addition to Additional Paid-in Capital and as additional interest expense at a value of $.70 per warrant ($10.00 per share private placement price less $9.30 exercise price per warrant) or a total of $24,500. The Company considers any differences which would result between the intrinsic method and another fair value method to not be material to the Company's financial position, results of its operations or changes in its cash flows.

In December 2004, the Company received $56 million as part of a $75 million, three year term loan. In February 2005, the Company received the remaining $19 million of this loan. The loan 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, which results in an interest rate of 5.42% at December 31, 2004. The loan is secured by the 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.

In December 2004, the Company closed a $43 million loan with a bank to finance the construction of the Company's medical office building and community hospital development project in Houston, Texas. The loan carries a construction period term of eighteen months, with the option to convert the loan into a thirty month term loan thereafter with a twenty-five year amortization. The loan requires interest payments only during the initial eighteen month term, and principal and interest payments during the optional thirty month term. The loan is secured by mortgages on the development property. The loan bears interest at a rate of one month LIBOR plus 225 basis points (4.67% at December 31, 2004) during the construction period and one month LIBOR plus 250 basis points (4.92% at December 31, 2004) during the thirty month optional period. The Company has paid a commitment fee of one per-cent for the construction loan with an additional .25% per-cent fee due if the Company exercises the term loan option. Proceeds may be drawn down by periodically presenting to the lender documentation of construction and development costs incurred. The Company has not drawn down any proceeds from this loan as of December 31, 2004.

Maturities of long-term debt at December 31, 2004, are as follows:

2005	$ 2,566,663
2006	2,799,996
2007	50,633,341
	$56,000,000

5. COMMITMENTS AND CONTINGENCIES

In June 2004, the Company began construction of a hospital and medical office building with an expected total cost of $63.4 million. The Company plans to fund this project with a combination of its own and borrowed funds. At December 31, 2004, the Company has funded $24.2 million of the cost which has been financed with funds from the April 6, 2004 private placement. The remaining commitment for construction and development contracts at December 31, 2004, totals $32.1 million.

Fixed minimum payments due under operating leases with non-cancellable terms of more than one year at December 31, 2004 are as follows:

2005	$ 275,106
2006	339,570
2007	346,158
2008	352,746
2009	359,334
Thereafter	2,133,005
	$3,805,919

A former consultant to the Company has made a claim for 2003 and 2004 consulting compensation under the terms of a now terminated consulting agreement with the Company. The Company disputes this claim and has made an offer of settlement based on the terms of the consulting agreement. The Company has made provision for the amount (which the Company has determined is not material to the consolidated financial statements) that it estimates is owed to the former consultant.

6. EQUITY INCENTIVE PLAN AND OTHER STOCK AWARDS

The Company has adopted the Medical Properties Trust, Inc. 2004 Amended and Restated Equity Incentive Plan (the Equity Incentive Plan) which authorizes the issuance of options to purchase shares of common stock, restricted stock awards, restricted stock units, deferred stock units, stock appreciation rights and performance units. The Company has reserved 791,180 shares of common stock for awards under the Equity Incentive Plan. The Equity Incentive Plan contains a limit of 300,000 shares as the maximum number of shares of common stock that may be awarded to an individual in any fiscal year.

Upon their election to the board in April, 2004, each of our original independent directors was awarded options to acquire 20,000 shares of our common stock. These options have an exercise price of $10 per option, vested one-third upon grant and the remainder will vest one-half on each of the first and second anniversaries of the date of grant, and expire ten years from the date of grant. The Company has determined that the exercise price of these options is equal to the fair value of the common stock because the options were granted immediately following the private placement of its common stock in April, 2004. Accordingly, the options have no intrinsic value as that term is used in SFAS No. 123, Accounting for Stock-Based Compensation. No other options have been granted.

	SHARES	EXERCISE PRICE
Outstanding at January 1, 2004	--	--
Granted	100,000	$10.00
Exercised	--	--
Forfeited	--	--
Outstanding at December 31, 2004	100,000	$10.00
Options exercisable at December 31, 2004	33,333	$10.00
Weighted-average grant-date fair value of options granted	$ 1.21	

Options exercisable at December 31, 2004, are as follows:

EXERCISE PRICE	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE	AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)
$10.00	100,000	33,333	9.6

The Company follows APB No. 25 and related Interpretations in accounting for the Plan. In accordance with APB 25, no compensation expense has been recognized for stock options. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods prescribed in SFAS No. 123, the Company's net income and income per share for the year ended December 31, 2004, would have been decreased by $67,000 and would have had no per share effect, respectively.

In addition to these options to purchase common stock, each independent director was awarded 2,500 deferred stock units in October, 2004, valued by the Company at $10 per unit, which represent the right to receive 2,500 shares of common stock in October, 2007. Beginning in 2005, each independent director will receive 2,000 shares of restricted common stock annually, which will be restricted as to transfer for three years. The Company has recognized expense in the amount of $125,000 for the deferred stock units awarded to its' independent directors in 2004. The Company has also allocated 114,500 shares of restricted stock to be awarded to employees upon completion of its IPO.

The Company uses the Black-Scholes pricing model to calculate the fair values of the options awarded, which are included in the pro forma amounts above. The following assumptions were used to derive the fair values: an option term of four to six years; no estimated volatility; a weighted average risk-free rate of return of 3.63%; and a dividend yield of 1.00% for 2004.

7. LEASING OPERATIONS

For the properties purchased in July and August, 2004 (see Note 3), minimum rental payments due in future periods under operating leases which have non-cancelable terms extending beyond one year at December 31, 2004, are as follows:

2005	$ 14,343,635
2006	16,082,461
2007	16,484,523
2008	16,896,636
2009	17,319,052
Thereafter	188,238,038
	$269,364,346

The leases are with tenants engaged in medical operations in California (two facilities), Colorado, Kentucky, Massachusetts, and New Jersey. Each of the six lease agreements are for an initial term of 15 years with options for the tenant to renew for three periods of five years each. Lease payments are calculated based on the total acquisition cost (aggregating approximately $127,000,000) and an initial lease rate of 10.25%; the rate increases to 12.23% on the first anniversary of lease commencement and upon each January 1 thereafter escalates at a rate of 2.5%. At such time that the tenants' aggregate net revenue exceeds a certain level, the leases further provide that the tenants will pay additional rent of between 1% and 2% of total net revenue. All of the leases are cross-defaulted.

In addition, the Company is funding the acquisition and development costs for a community hospital and adjacent medical office building in Houston, Texas on land that is leased to the operator/tenant. During the development and construction period, the tenant is charged rent (construction period rent) based on the lease rates (which average 10.4%) and the amount funded, which aggregated $16,225,907 at December 31, 2004. The Company has recorded $757,787 of construction period rent as unbilled rent receivable and as deferred revenue as of December 31, 2004. Upon completion of development and occupancy by the tenant, the fixed lease term (15 and 10 years for the hospital and medical office building, respectively) will commence and any accrued construction period rent will be paid, with interest calculated at the lease rate, over the term of the respective lease. Upon occupancy, the Company will begin recognizing as rent revenue, using the straight-line method, all construction period rent recorded during the construction period. The Company expects to complete the construction of the hospital and the medical office building in October 2005 and August 2005, respectively.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

	DECEMBER 31, 2004		DECEMBER 31, 2003	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Cash and cash equivalents	$97,543,677	$97,543,677	$ 100,000	$ 100,000
Interest receivable	419,776	419,776	--	--
Unbilled rent receivable	3,206,853	1,679,450	--	--
Loans	50,224,069	50,646,695	100,000	100,000
Long-term debt	56,000,000	56,000,000	--	--
Accounts payable and accrued expenses	10,903,025	10,903,025	1,389,779	1,389,779

9. INCOME TAXES

The following table reconciles the Company's net income as reported in its consolidated statement of operations prepared in accordance with generally accepted accounting principles with its taxable income under the REIT income tax regulations for the year ended December 31, 2004:

Net income as reported	$ 4,576,349
Less: Net income of the taxable REIT subsidiary	(63,905)
Net income from REIT operations	4,512,444
Unbilled rent receivable	(2,449,066)
GAAP depreciation and amortization in excess of tax depreciation	198,266
Expenses deductible in future tax periods	2,434,535
Other	289,759
Taxable income subject to REIT distribution requirements	$ 4,985,938

The Company paid distributions of $2,608,286 ($.10 per share) on October 10, 2004, and $2,869,115 ($.11 per share) on January 11, 2005. All of the October distribution and $755,546 of the January 2005, distribution will be subject to federal incomes taxes by the Company's stockholders in 2004. The remainder of the January, 2005, distribution will be subject to federal income taxes by the Company's stockholders in 2005. All of the distributions are taxable to the Company's shareholders at ordinary income federal tax rates.

10. SUBSEQUENT EVENTS

On February 9, 2005, Vibra made a $7.8 million payment of principal and interest on its transaction fee and working capital 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 community hospital for $28 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 fifteen year lease of the hospital back to the seller, with renewal options for three additional five year terms.

11. EARNINGS PER SHARE

The following is a reconciliation of the weighted average shares used in net income (loss) per common share to the weighted average shares used in net income (loss) per common share -- assuming dilution for the year ended December 31, 2004, and for the period from Inception (August 27, 2003) through December 31, 2003, respectively:

	2004	2003
Weighted average number of shares issued and outstanding....	19,308,511	1,630,435
Vested deferred stock units................................	2,322	--
Weighted average shares -- basic...........................	19,310,833	1,630,435
Common stock warrants......................................	1,801	--
Weighted average shares -- diluted.........................	19,312,634	1,630,435

12. RELATED PARTIES

The Company's lead underwriter for its IPO and private placement is the largest stockholder, including shares owned directly and indirectly through funds it manages. In connection with services provided for its managing and underwriting of the private placement, the underwriter received approximately 261,000 shares of the Company's common stock. The Company also manages its cash and cash equivalents (approximately $96.1 million at December 31, 2004) through the underwriter.

13. PRO FORMA EARNINGS PER SHARE (UNAUDITED)

Staff Accounting Bulletin (SAB) Topic 1.B.3 requires that basic and diluted earnings per share must be calculated based on the pro forma effect of shares assumed to be issued in an initial public offering when dividends are paid in excess of earnings. As of March 31, 2005, cumulative net income for 2004 and the three months ended March 31, 2005, totaled $8,136,283. Cumulative distributions, including the distribution declared May 20, 2005, totaled $12,532,895, resulting in excess distributions during this period of $4,396,612. The pro forma weighted average shares in the table below assumes the issuance of 399,692 shares at an offering price of $11.00 per share, or proceeds of $4,396,612 to pay these distributions in excess of net income.

	BASIC	DILUTED
Pro forma weighted average shares for the year ended December 31, 2004:		
Historical from above....................................	19,310,833	19,312,634
Pro forma effect of assumed additional shares............	399,692	399,692
Pro forma weighted average shares........................	19,710,525	19,712,326
Pro forma earnings per share.............................	$ 0.23	$ 0.23

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2004 AND DECEMBER 31, 2003

ADDITIONS SUBSEQUENT
TO INITIAL COSTS
ACQUISITION ----------
----------------- ----

---- LOCATION TYPE OF
PROPERTY LAND
BUILDINGS IMPROVEMENTS
CARRYING COSTS - -----
--- ------------------
----- ----------- ----
-------- ------------
-------------- Bowling
Green,
KY.............
Rehabilitation
hospital $ 3,070,000 $
33,570,541 $ -- $ --
Thornton,
CO...................
Rehabilitation
hospital 2,130,000
6,013,142 -- --
Fresno,
CA.....................
Rehabilitation
hospital 1,550,000
16,363,153 -- --
Kentfield,
CA..................
Long term acute care
2,520,000 4,765,176 --
-- hospital Marlton,
NJ....................
Rehabilitation
hospital -- 30,903,051
-- -- New Bedford,
NJ...............
Long term acute care
1,400,000 19,772,169 -
- -- hospital --------
--- ------------ -----
TOTAL $10,670,000
$111,387,232 $ -- $ --
===========
============ =====

COST AT DECEMBER 31, 2004

ACCUMULATED DATE OF DATE
LOCATION LAND
BUILDINGS(1) TOTAL
DEPRECIATION CONSTRUCTION
ACQUIRED -------- -------
---- ------------ ------
------ ------------ -----
------------ ------------
--- Bowling Green,
KY................ $
3,070,000 $ 33,570,541 $
36,640,541 $ 419,634 1992
July 1, 2004 Thornton,
CO......................
2,130,000 6,013,142
8,143,142 56,371 1962,
1975 August 17, 2004
Fresno,
CA........................
1,550,000 16,363,153
17,913,153 204,540 1990
July 1, 2004 Kentfield,
CA....................
2,520,000 4,765,176
7,285,176 59,562 1963
July 1, 2004 Marlton,
NJ......................
-- 30,903,051 30,903,051
386,286 1994 July 1, 2004
New Bedford,
NJ..................
1,400,000 19,772,169
21,172,169 185,364 1962,
1975, 1992 August 17,
2004 ----------- --------
---- ------------ -------
--- TOTAL $10,670,000

$111,387,232 $122,057,232
$1,311,757 ===========
============ ============
==========
DEPRECIABLE LOCATION LIFE
(YEARS) -------- --------
---- Bowling Green,
KY................. 40
Thornton,
CO......................
40 Fresno,
CA........................
40 Kentfield,
CA.....................
40 Marlton,
NJ.......................
40 New Bedford,
NJ................... 40
TOTAL

DECEMBER 31, 2004 DECEMBER 31, 2003
----------------- -----------------
COST Balance at beginning of
period.......... $ -- $ --
Additions during the period
Acquisitions........................
122,057,232 -- ------------ -------
- Balance at end of
period................ $122,057,232
$ -- ============ ========

DECEMBER 31, 2004 DECEMBER 31, 2003
------------------ ----------------
- ACCUMULATED DEPRECIATION Balance
at beginning of period.......... $
-- $ -- Additions during the period
Depreciation........................
1,311,757 -- ------------ --------
Balance at end of
period................ $ 1,311,757
$ -- ============ ========

- ---------------

(1) The gross cost for Federal income tax purposes is $116,702,195.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Balance Sheet
March 31, 2005 (Unaudited) and December 31, 2004 (Audited)

	MARCH 31, 2005 (UNAUDITED)	DECEMBER 31, 2004 (AUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,707,976	$ 2,280,772
Patient accounts receivable, net of allowance for doubtful collections of $435,816 at March 31, 2005 and $302,988 at December 31, 2004	19,911,175	17,319,154
Third party settlements receivable	59,457	346,141
Prepaid insurance	553,683	719,480
Deposit for workers' compensation claims	--	1,375,000
Other current assets	562,437	518,650
Total current assets	23,794,728	22,559,197
Restricted investment	100,000	--
Property and equipment, net	2,673,223	2,662,546
Goodwill	24,650,800	24,510,296
Intangible assets	4,260,000	4,260,000
Deposits	3,485,387	3,485,387
Deferred financing and lease costs	1,667,390	1,543,424
Total assets	$60,631,528	$59,020,850
LIABILITIES AND PARTNERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,248,677	$ 5,142,345
Accounts payable -- related parties	200,871	262,144
Accrued liabilities	3,899,378	4,387,292
Accrued insurance claims	1,738,985	1,441,516
Total current liabilities	9,087,911	11,233,297
Deferred rent	3,769,231	2,460,308
Long-term debt	52,482,304	49,141,945
Total liabilities	65,339,446	62,835,550
Partners' deficit	(4,707,918)	(3,814,700)
Total liabilities and partners' deficit	$60,631,528	$59,020,850

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Partners' Deficit
For the Three Months Ended March 31, 2005 (Unaudited)

REVENUE:	
Net patient service revenue	$29,328,088
EXPENSES:	
Cost of services	20,067,059
General and administrative	3,354,649
Rent expense	5,121,583
Interest expense	1,263,356
Management fee -- Vibra Management, LLC	586,593
Depreciation and amortization	194,293
Bad debt expense	167,233
Total expenses	30,754,766
Loss from operations	(1,426,678)
Non-operating revenue	533,460
Net loss	(893,218)
Partners' deficit -- beginning	(3,814,700)
Partners' deficit -- ending	$(4,707,918)

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For Three Months Ended March 31, 2005 (Unaudited)

Operating activities:	
Net loss	$ (893,218)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	194,293
Provision for bad debts	167,233
Changes in operating assets and liabilities, net of effects from acquisition of business:	
Accounts receivable including third party settlements	(2,613,072)
Prepaids and other current assets	122,010
Deposits	1,375,000
Accounts payable	(1,893,668)
Accounts payable -- related party	(61,273)
Accrued liabilities	(190,445)
Deferred rent	1,308,923
Net cash used in operating activities	(2,484,217)
Investing activities:	
Purchase of restricted investment	(100,000)
Purchases of property and equipment	(163,463)
Net cash used in investing activities	(263,463)
Financing activities:	
Borrowings under revolving credit facility	24,098,291
Repayments of revolving credit facility	(13,189,000)
Repayment of notes payable	(7,725,957)
Payment of deferred financing costs	(8,450)
Net cash provided by financing activities	3,174,884
Net increase in cash and cash equivalents	427,204
Cash and cash equivalents -- beginning	2,280,772
Cash and cash equivalents -- ending	$ 2,707,976
Supplemental cash flow information:	
Cash paid for interest	$ 1,263,356
Non-cash transactions:	
Deferred financing costs funded by revolving credit facility	$ 157,025
Business acquisition adjustment of goodwill	$ 140,504

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2005 (UNAUDITED)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Vibra Healthcare, LLC ("Vibra" and the "Company") was formed May 14, 2004, and commenced operations with the acquisition of its subsidiaries consisting of four independent rehabilitation hospitals ("IRF") and two long-term acute care hospitals ("LTACH") located throughout the United States on July 1, 2004 and August 17, 2004, respectively. Vibra, a Delaware limited liability company ("LLC"), has an infinite life. The members' liability is limited to the capital contribution. Vibra was previously named Highmark Healthcare LLC until a name change in December 2004. Vibra's wholly-owned subsidiaries consist of:

SUBSIDIARIES	LOCATION
92 Brick Road Operating Company LLC	Marlton, NJ
4499 Acushnet Avenue Operating Company LLC	New Bedford, MA
1300 Campbell Lane Operating Company LLC	Bowling Green, KY
8451 Pearl Street Operating Company LLC	Denver, CO
7173 North Sharon Avenue Operating Company LLC	Fresno, CA
1125 Sir Francis Drake Boulevard Operating Company LLC	Kentfield, CA

The Company provides long-term acute care hospital services and inpatient acute rehabilitative hospital care at its hospitals. Patients in the Company's LTACHs typically suffer from serious and often complex medical conditions that require a high degree of care. Patients in the Company's IRFs typically suffer from debilitating injuries including traumatic brain and spinal cord injuries, and require rehabilitation care in the form of physical, psychological, social and vocational rehabilitation services. The Company also operates ten outpatient clinics affiliated with five of its six hospitals.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries controlled through majority membership interests in limited liability companies. All significant intercompany balances and transactions are eliminated in consolidation.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market.

Patient Accounts Receivable: Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Inventories: Inventories of pharmaceuticals and pharmaceutical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. These inventories totaled $429,654 at March 31, 2005, and are included in other current assets in the accompanying consolidated balance sheet.

Restricted Investment: The restricted investment consists of a five year certificate of deposit with a local bank pledged as collateral for a letter of credit benefiting the California Department of Health Services ("CDHS"). CDHS can draw on the letter of credit to reimburse any medicaid overpayments.

Property and Equipment: Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Leasehold improvements	15 years
Furniture and equipment	2-7 years

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No 144), the Company reviews the realizability of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

Intangible Assets: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer subject to periodic amortization but are instead reviewed annually or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to certificates of need ("CONs") and licenses. The useful life of each class of intangible assets is as follows:

Goodwill	Indefinite
Certificates of Need/Licenses	Indefinite

Deferred Financing and Lease Costs: Costs and fees incurred in connection with the MPT acquisition note and leases and the Merrill Lynch revolving credit facility have been deferred and are being amortized over the term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was $41,510 for the three months ended March 31, 2005.

Insurance Risk Programs: Under the Company's insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. The Company has accrued $1,738,985 related to these programs at March 31, 2005. A deposit for workers' compensation claims of $1,375,000 at December 31, 2004, consisted of cash provided to Vibra's insurance carrier to fund workers' compensation claims. In February 2005, Vibra used $1,375,000 of its borrowing base on the Merrill Lynch loan to collateralize a letter of credit for the claims and the cash deposit was refunded.

Deferred Rent: The excess of straight line rent expense over rent paid is credited to deferred rent on a monthly basis. At March 31, 2005, rent expense exceeded rent paid by $3,769,231.

Revenue Recognition: Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual allowances from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenues. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenues are generated directly from the Medicare and Medicaid programs. Net patient service revenues generated directly from the Medicare and Medicaid programs represented approximately 65% and 14%, respectively, of the Company's consolidated net patient service revenue for the three month period ended March 31, 2005. Approximately 46% and 22% of the Company's gross patient accounts receivable at March 31, 2005, are from Medicare and Medicaid, respectively. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a hospital to comply with regulations can result in changes in that hospital's net patient service revenues generated from these programs.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash balances and patient accounts receivables. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

Income Taxes: Vibra and its subsidiaries have elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member of a LLC is taxed on their proportionate share of the Company's taxable income or loss. Therefore, no provision or liability for federal or state income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations.

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 of America for interim financial information. 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 period ended March 31, 2005, are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

2. ACQUISITIONS

In July and August 2004, Vibra entered into agreements with Medical Properties Trust, Inc. (MPT) to acquire the operations of six specialty hospitals. MPT, a healthcare real estate investment trust based in Birmingham, Alabama, acquired the real estate for approximately $127.4 million and assigned to Vibra its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately $38.1 million net of cash acquired and $7.5 million of liabilities assumed which was financed by MPT. The assignment of the LLC interests to Vibra transferred the operations, assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

LOCATION	TYPE	BEDS	ACQUISITION DATE
Marlton, NJ	IRF	46(1)	July 1, 2004
Bowling Green, KY	IRF	60	July 1, 2004
Fresno, CA	IRF	62	July 1, 2004
Kentfield, CA	LTACH	60	July 1, 2004
New Bedford, MA	LTACH	90	August 17, 2004
Thornton, CO	IRF	117(2)	August 17, 2004

- ---------------

(1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.

(2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in purchase transactions is as follows:

Notes issued, net of cash acquired	$ 38,093,842
Liabilities assumed	7,477,988
	45,571,830
Fair value of assets acquired:	
Accounts receivable	(13,640,825)
Property and equipment	(2,749,840)
CONs/Licenses	(4,260,000)
Other	(410,869)
Cost in excess of fair value of net assets acquired (goodwill) at December 31, 2004	$ 24,510,296

Based on an analysis of pre-acquisition accounts receivable at March 31, 2005, the Company estimated the fair value of the acquired accounts receivable required a downward adjustment of $140,504. This adjustment increased the goodwill recorded at March 31, 2005 to $24,650,800.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	MARCH 31, 2005
Leasehold improvements	$ 93,530
Furniture and equipment	2,987,673
	3,081,203
Less: accumulated depreciation and amortization	407,980
Total	$2,673,223

Depreciation expense was $152,783 for the three months ended March 31, 2005.

4. DEPOSITS

The facility lease agreements with MPT require deposits equal to three months rent. The funds are on deposit with MPT in non-interest bearing accounts. Deposits consist of the following:

	MARCH 31, 2005
MPT lease deposits	$3,296,365
Other deposits	189,022
Total	$3,485,387

5. INTANGIBLE ASSETS

The Company adopted SFAS No. 142. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not subject to periodic amortization but are instead reviewed annually as of June 30, or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units. The following table summarizes intangible assets:

	MARCH 31, 2005
Goodwill	$24,650,800
CONs/Licenses	$ 4,260,000

The CONs/Licenses have not been amortized as they have indefinite lives.

6. LONG-TERM DEBT

The components of long-term debt are shown in the following table:

	MARCH 31, 2005
MPT 10.25% hospital acquisition note	$41,415,988
Merrill Lynch $14 million revolving credit facility	11,066,316
	$52,482,304

As of December 31, 2004, MPT had advanced $49,141,945 to Vibra under four notes for the hospital acquisition and working capital. Three notes for working capital and transaction fees totaling $7,725,957 were interest only, with a balloon payment due on March 31, 2005. Vibra may prepay the notes at any time without penalty.

The hospital acquisition note is interest only through June 2007, and then amortized over the next 12 years with a final maturity in 2019. Substantially all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT note. In addition the majority member of Vibra, an affiliated company owned by the majority member and Vibra Management, LLC have jointly and severally guaranteed the notes payable to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra. A default in any of the MPT lease terms will also constitute a default under the notes.

The revolving credit facility has a balloon maturity on February 8, 2008. Interest is payable monthly at the rate of 30 day LIBOR plus 3% (5.85% as of March 31, 2005). The loan is secured by a first position in the Company's accounts receivable through an intercreditor agreement with MPT. Up to $14 million can be borrowed based on a formula of qualifying accounts receivable. A portion of the proceeds were used to pay off $7,725,957 in working capital and transaction fee notes to MPT which had a maturity of March 31, 2005. The Company is subject to various financial and non-financial covenants under the credit facility. A default in any of the MPT note and lease terms will also constitute a default under the credit facility. At March 31, 2005, Vibra was not in compliance with a facility rent coverage covenant. The Merrill Lynch credit facility documents were subsequently amended to retroactively change the rent coverage covenant from a by facility rent coverage to a consolidated rent coverage calculation. At March 31, 2005, the Company met the amended covenant (Note 11).

Maturities of long-term debt for the next five years are as follows:

MARCH 31	(IN THOUSANDS)
2006	$ --
2007	--
2008	12,436
2009	1,999
2010	2,214
Thereafter	35,833
	$52,482

7. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with Vibra Management, LLC (a company affiliated through common ownership) to provide management services to each hospital. The services include information system support, legal counsel, accounting/tax, human resources, program development, quality management and marketing oversight. The agreements call for a management fee equal to 2% of net patient service revenue, and are for an initial term of five years with automatic one-year renewals. Management fee expense amounted to $586,593 for the three months ended March 31, 2005. At March 31, 2005, $200,871 was payable to Vibra Management, LLC and is included accounts payable -- related party in the accompanying consolidated balance sheet.

The spouse of the majority member of the Company provided legal consulting services to the Company on the hospital acquisition and on various operational licensing and financing matters. During the period from inception through December 31, 2004, legal consulting services from this person totaled $176,187, of which $98,137 was payable at December 31, 2004. The balance was paid during the three months ended March 31, 2005, and no additional services were provided.

8. COMMITMENTS AND CONTINGENCIES

LEASES

Vibra entered into triple-net long-term real estate operating leases with MPT at each hospital. Each lease is for an initial term of 15 years and contains renewal options at Vibra's option for three additional five-year terms. Vibra has the option to purchase the leased property at the end of the lease term, including any extension periods, for the greater of the fair market value of the leased property, or the purchase price increased by 2.5% per annum from the commencement date.

The base rate at commencement is calculated at 10.25% of MPT's adjusted purchase price of the real estate ("APP"). The base rate increases to 12.23% of APP effective July 1, 2005. Beginning January 1, 2006, and each January 1, thereafter, the base rate increases by an inflator of 2.5% (i.e. base rate becomes 12.54% of APP on January 1, 2006).

Each lease also contains a percentage rent provision ("Percentage Rent"). Beginning January 1, 2005, if the aggregate monthly net patient service revenues of the six hospitals exceed an annualized net patient service revenue run rate of $110,000,000, additional rent equal to 2% of monthly net patient service revenue is triggered. The percentage rent is payable within ten days after the end of the applicable quarter. The percentage rent declines from 2% to 1% on a pro rata basis as Vibra repays the $41.416 million in notes to MPT. For the three months ended March 31, 2005, percentage rents totaling $405,582 have been accrued and are included in accrued liabilities in the accompanying consolidated balance sheet.

Commencing on July 1, 2005, Vibra must make quarterly deposits to a capital improvement reserve at the rate of $375 per quarter per bed or $652,500 on an annual basis for all hospitals leased from MPT. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

Beginning with the quarter ending September 30, 2006, the MPT leases will be subject to various financial covenants including limitations on total debt to 100% of the total capitalization of the guarantors (as defined) or 4.5 times the 12 month total EBITDAR (as defined) of the guarantors whichever is greater, coverage ratios of 125% of debt service and 150% of rent (as defined), and maintenance of average daily patient census. A default in any of the loan terms will also constitute a default under the leases. All of the MPT leases are cross defaulted.

Vibra has entered into operating leases for six outpatient clinics which expire on various dates through 2008.

Minimum future lease obligations on the leases are as follows (in thousands):

MARCH 31	MPT RENT OBLIGATION	OUTPATIENT CLINICS	TOTAL
2006	$ 15,077	$173	$ 15,250
2007	16,183	112	16,295
2008	16,588	55	16,643
2009	17,002	--	17,002
2010	17,427	--	17,427
Thereafter	184,027	--	184,027
	$266,304	$340	$266,644

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the majority member of Vibra, an affiliated Company owned by the majority member, and Vibra Management, LLC have jointly and severally guaranteed the leases to MPT, although the obligation of the majority member is limited to $5 million and his membership interest in Vibra.

The Company has sublet a floor of its Marlton, NJ hospital to an independent pediatric rehabilitation provider. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of $433,883 for the three months ended March 31, 2005, which is included in non-operating revenue in the accompanying consolidated statement of operations. The following table summarizes amounts due under sub leases (in thousands):

MARCH 31 -	
2006	$ 1,126
2007	1,151
2008	1,177
2009	1,203
2010	1,230
Thereafter	4,524
	$10,411

LITIGATION

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on consolidated financial position or results of operations of the Company.

CALIFORNIA MEDICAID

The Company is in the process of fulfilling change of ownership requirements imposed by Medi-Cal, the California Medicaid administrator that date back to the prior owners' acquisition of the California hospitals. Accounts receivable at March 31, 2005, include $1,399,464 due from Medi-Cal, including $657,000 prior to the acquisition. In March 2005 the California Department of Health Services approved the Company as a provider and agreed to enter into contracts that would allow the Company to retro-bill Medi-Cal for services provided after August 1, 2003. The Company expects to submit bills for these services in May and June 2005.

CALIFORNIA SEISMIC UPGRADE

For earthquake protection California requires hospitals to receive an approved Structural Performance Category 2 (SPC-2) by January 1, 2008, to maintain its license. Hospitals may request a five year implementation extension. The Fresno, CA hospital is expected to meet the SPC-2 standard by January 1, 2008, with capital outlays that are not material to the consolidated financial statements. The Kentfield, CA hospital has applied for a three year extension to meet the requirement. Management is in preliminary consultations with consulting architects and engineers to develop a plan for Kentfield to meet the requirements. The capital outlay required to meet the standards at Kentfield cannot be determined at this time.

9. RETIREMENT SAVINGS PLAN

In November 2004, the Company began sponsorship of a defined contribution retirement savings plan for substantially all of its employees. Employees may elect to defer up to 15% of their salary. The Company matches 25% of the first 3% of compensation employees contribute to the plan. The employees vest in the employer contributions over a five-year period beginning on the employee's hire date. The expense incurred by the Company related to this plan was $29,870 for the three months ended March 31, 2005.

10. SEGMENT INFORMATION

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

The Company's segments consist of (i) IRFs and (ii) LTACHs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on loss from operations.

The following table summarizes selected financial data for the Company's reportable segments:

	FOR THE THREE MONTHS ENDED MARCH 31, 2005			
	IRF	LTACH	OTHER	TOTAL
Net patient service revenue........	$13,822,924	$15,505,164	$ --	$29,328,088
Net loss from operations...........	(1,153,003)	(189,409)	(84,266)	(1,426,678)
Interest expense...................	744,998	518,358	--	1,263,356
Depreciation and amortization......	95,348	82,435	16,510	194,293
Deferred rent......................	2,749,822	1,019,409	--	3,769,231
Total assets.......................	31,853,471	28,175,098	602,959	60,631,528
Purchases of property and equipment........................	73,182	86,220	4,061	163,463
Goodwill...........................	16,409,877	8,240,923	--	24,650,800

11. SUBSEQUENT EVENT

On April 16, 2005, Vibra entered into a letter of intent to acquire a California specialty hospital. In connection with this transaction, Vibra entered into a financing commitment with MPT. Vibra paid non-refundable deposits totaling $228,000 related to this transaction. The acquisition is subject to final negotiation of definitive documents, due diligence and licensing.

On June 1, 2005, Merrill Lynch and Vibra amended their credit facility documents for no consideration. The amendment changed a rent coverage covenant from a by facility rent coverage to a consolidated rent covenant calculation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member
Vibra Healthcare, LLC

We have audited the accompanying consolidated balance sheet of Vibra Healthcare, LLC and subsidiaries (the "Company") as of December 31, 2004, and the related consolidated statements of operations, changes in partner's capital, and cash flows for the period from inception (May 14, 2004) through December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vibra Healthcare, LLC and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the period from inception (May 14, 2004) through December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Parente Randolph, LLC

Harrisburg, Pennsylvania
March 8, 2005, except Note 11,
as to which the date is March 31, 2005

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Balance Sheet
December 31, 2004

ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,280,772
Patient accounts receivable, net of allowance for doubtful collections of $302,988	17,319,154
Third party settlements receivable	346,141
Prepaid insurance	719,480
Deposit for workers' compensation claims	1,375,000
Other current assets	518,650
Total current assets	22,559,197
Property and equipment, net	2,662,546
Goodwill	24,510,296
Intangible assets	4,260,000
Deposits	3,485,387
Deferred financing and lease costs	1,543,424
Total assets	$59,020,850
LIABILITIES AND PARTNER'S CAPITAL	
Current liabilities:	
Accounts payable	$ 5,142,345
Accounts payable -- related parties	262,144
Accrued liabilities	4,387,292
Accrued insurance claims	1,441,516
Total current liabilities	11,233,297
Deferred rent	2,460,308
Long-term debt, net of current maturities	49,141,945
Total liabilities	62,835,550
Partner's capital	(3,814,700)
Total liabilities and partner's capital	$59,020,850

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Partner's Capital
For the Period from Inception (May 14, 2004) through December 31, 2004

REVENUE:	
Net patient service revenue	$48,266,019
EXPENSES:	
Cost of services	34,528,924
General and administrative	5,631,229
Rent expense	8,859,233
Interest expense	2,293,402
Management fee -- Vibra Management, LLC	982,668
Depreciation and amortization	302,194
Bad debt expense	776,780
Total expenses	53,374,430
Loss from operations	(5,108,411)
Non-operating revenue	1,293,711
Net loss	(3,814,700)
Partner's capital -- beginning	--
Partner's capital -- ending	($3,814,700)

The accompanying notes are an integral part of these consolidated financial statements.

VIBRA HEALTHCARE LLC AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Period from Inception (May 14, 2004) through December 31, 2004

Operating activities:	
Net loss	$(3,814,700)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	302,194
Provision for bad debts	776,780
Changes in operating assets and liabilities, net of effects from acquisition of business:	
Accounts receivable including third party settlements	(4,801,250)
Prepaids and other current assets	(2,257,611)
Deposits	(133,671)
Accounts payable	1,884,531
Accounts payable -- related party	262,144
Accrued liabilities	1,608,634
Deferred rent	2,460,308
Net cash used in operating activities	(3,712,641)
Investing activities:	
Purchases of property and equipment	(167,900)
Cash acquired in business acquisition	201,280
Net cash provided by investing activities	33,380
Financing activities:	
Proceeds of notes payable	6,050,458
Payment of deferred financing costs	(90,425)
Net cash provided by financing activities	5,960,033
Net increase in cash and cash equivalents	2,280,772
Cash and cash equivalents -- beginning	--
Cash and cash equivalents -- ending	$ 2,280,772
Supplemental cash flow information:	
Cash paid for interest	$ 2,293,402
Non-cash transactions:	
Notes issued relating to acquisition	$38,093,842
Lease deposits funded by notes payable	$ 3,296,365
Deferred financing costs funded by notes payable	$ 1,500,000

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Vibra Healthcare LLC ("Vibra" and the "Company") was formed May 14, 2004, and commenced operations with the acquisition of its subsidiaries consisting of four independent rehabilitation hospitals ("IRF") and two long-term acute care hospitals ("LTACH") located throughout the United States on July 1, 2004, and August 17, 2004. Vibra, a Delaware limited liability company ("LLC"), is a single member LLC with an infinite life. The members liability is limited to the capital contribution. Vibra was previously named Highmark Healthcare LLC until a name change in December 2004. Vibra's wholly-owned subsidiaries consist of:

SUBSIDIARIES	LOCATION
92 Brick Road Operating Company LLC	Marlton, NJ
4499 Acushnet Avenue Operating Company LLC	New Bedford, MA
1300 Campbell Lane Operating Company LLC	Bowling Green, KY
8451 Pearl Street Operating Company LLC	Denver, CO
7173 North Sharon Avenue Operating Company LLC	Fresno, CA
1125 Sir Francis Drake Boulevard Operating Company LLC	Kentfield, CA

The Company provides long-term acute care hospital services and inpatient acute rehabilitative hospital care at its hospitals. Patients in the Company's LTACHs typically suffer from serious and often complex medical conditions that require a high degree of care. Patients in the Company's IRFs typically suffer from debilitating injuries including traumatic brain and spinal cord injuries, and require rehabilitation care in the form of physical, psychological, social and vocational rehabilitation services. The Company also operates ten outpatient clinics affiliated with five of its six hospitals.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries controlled through sole membership interests in limited liability companies. All significant intercompany balances and transactions are eliminated in consolidation.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market.

Patient Accounts Receivable: Patient accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Inventories: Inventories of pharmaceuticals and pharmaceutical supplies are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis. These inventories totaled $363,720 at December 31, 2004, and are included in other current assets in the accompanying consolidated balance sheet.

Property and Equipment: Property and equipment are stated at cost net of accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the term of the lease, as appropriate. The general range of useful lives is as follows:

Leasehold improvements....................................	15 years
Furniture and equipment...................................	2-7 years

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No 144), the Company reviews the realizability of long-lived assets whenever events or circumstances occur which indicate recorded costs may not be recoverable.

Intangible Assets: The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are no longer subject to periodic amortization but are instead reviewed annually or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Management has allocated the intangible assets between identifiable intangibles and goodwill. Intangible assets, other than goodwill, consist of values assigned to certificates of need ("CONs") and licenses. The useful life of each class of intangible assets is as follows:

Goodwill..	Indefinite
Certificates of Need/Licenses..............................	Indefinite

Deferred Financing and Lease Costs: Costs and fees incurred in connection with the MPT loans and leases have been deferred and are being amortized over the 15 year term of the loans and leases using the straight-line method, which approximates the effective interest method. Amortization expense was $47,000 for the period from inception through December 31, 2004.

Insurance Risk Programs: Under the Company's insurance programs, the Company is liable for a portion of its losses. The Company estimates its liability for losses based on historical trends that will be incurred in a respective accounting period and accrues that estimated liability. These programs are monitored quarterly and estimates are revised as necessary to take into account additional information. At December 31, 2004, the Company has accrued $1,441,516 related to these programs. Deposits for workers' compensation claims consist of cash provided to Vibra's insurance carrier to fund workers' compensation claims. In February 2005, Vibra used $1,375,000 of its borrowing base on the Merrill Lynch loan (see Note 11) to collateralize a letter of credit for the claims and the cash deposit was refunded.

Deferred Rent: The excess of straight line rent expense over each rent paid is credited to deferred rent on a monthly basis. For the period from inception through December 31, 2004, rent expense exceeded the rent paid in cash by $2,460,308.

Revenue Recognition: Net patient service revenue consists primarily of charges to patients and are recognized as services are rendered. Net patient service revenue is reported net of provisions for contractual allowances from third-party payors and patients. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net patient service revenues. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient accounts receivable resulting from such payment arrangements are recorded net of contractual allowances.

A significant portion of the Company's net patient service revenues are generated directly from the Medicare and Medicaid programs. Net patient service revenues generated directly from the Medicare and Medicaid programs represented approximately 63% and 13%, respectively, of the Company's consolidated net patient service revenues for the period from inception through December 31, 2004. Approximately 46% and 21% of the Company's gross patient accounts receivable at December 31, 2004, are from Medicare and Medicaid, respectively. As a provider of services to these programs, the Company is subject to extensive regulations. The inability of a hospital to comply with regulations can result in changes in that hospital's net patient service revenues generated from these programs.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash balances and patient accounts receivables. The Company deposits its cash with large banks. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's primary concentration of credit risk.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of its current assets, current liabilities and long-term debt approximates their fair value.

Income Taxes: Vibra and its subsidiaries have elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member of a LLC is taxed on their proportionate share of the Company's taxable income or loss. Therefore, no provision or liability for federal or state income taxes has been provided for in the consolidated balance sheet or consolidated statement of operations.

2. ACQUISITIONS

In July and August 2004, Vibra entered into agreements with Medical Properties Trust, Inc. (MPT) to acquire the operations of six specialty hospitals. MPT, a healthcare real estate investment trust based in Birmingham, Alabama, acquired the real estate for approximately $127.4 million and assigned to Vibra its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately $38.1 million net of cash acquired and $7.5 million of liabilities assumed which was financed by MPT. The assignment of the LLC interests to Vibra transferred the operations, assets and liabilities of each LLC. The purchase price of the operations may be adjusted either upward or downward pursuant to a post-closing working capital adjustment with the seller. The purchase price of the operations has been allocated to net assets acquired, and liabilities assumed based on valuation studies subject to purchase price adjustments. The excess of the amount of purchase price over the net asset value, including identifiable intangible assets, was allocated to goodwill. The purchase price was negotiated based on management's evaluation of future operational performance of the hospitals as a group under Vibra. The results of operations of the hospitals acquired have been included in the Company's consolidated financial statements since the date of acquisition. The following table summarizes the acquisition date and other relevant information regarding each hospital:

LOCATION	TYPE	BEDS	ACQUISITION DATE
Marlton, NJ	IRF	46(1)	July 1, 2004
Bowling Green, KY	IRF	60	July 1, 2004
Fresno, CA	IRF	62	July 1, 2004
Kentfield, CA	LTACH	60	July 1, 2004
New Bedford, MA	LTACH	90	August 17, 2004
Thornton, CO	IRF	117(2)	August 17, 2004

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(1) Vibra subleases a floor of the Marlton building to an unaffiliated provider which operates 30 pediatric rehabilitation beds which are in addition to the 46 beds operated by Vibra.

(2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Information with respect to the businesses acquired in purchase transactions is as follows:

Notes issued, net of cash acquired	$ 38,093,842
Liabilities assumed	7,477,988
	45,571,830
Fair value of assets acquired:	
Accounts receivable	(13,640,825)
Property and equipment	(2,749,840)
CONs/Licenses	(4,260,000)
Other	(410,869)
Cost in excess of fair value of net assets acquired (goodwill)	$ 24,510,296

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2004, consists of the following:

Leasehold improvements	$ 48,055
Furniture and equipment	2,869,685
	2,917,740
Less: accumulated depreciation and amortization	255,194
Total	$2,662,546

Depreciation expense was $255,194 for the period from inception through December 31, 2004.

4. DEPOSITS

The facility lease agreements with MPT require deposits equal to three months rent. The funds are on deposit with MPT in non-interest bearing accounts. Deposits at December 31, 2004, consist of the following:

MPT lease deposits	$3,296,365
Other deposits	189,022
Total	$3,485,387

5. INTANGIBLE ASSETS

The Company adopted SFAS No. 142. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives are not subject to periodic amortization but are instead reviewed annually as of April 30, or more frequently if impairment indicators arise. These reviews require the Company to estimate the fair value of its identified reporting units and compare those estimates against the related carrying values. For each of the reporting units, the estimated net realizable value is determined using current transaction information and the present value of future cash flows of the units.

Goodwill in the amount of $24,510,296 and CONs/Licenses of $4,260,000 have been recorded in connection with the acquisition of the six hospitals, and have not been amortized as both have indefinite lives.

6. NOTES PAYABLE

As of December 31, 2004, MPT had advanced $49,141,945 to Vibra under four notes for the hospital acquisition and working capital. The notes bear interest at 10.25%. Three notes totaling $7,725,958 are interest only, with a balloon payment due on March 31, 2005. The remaining note for $41,415,988 is payable interest only for the first 36 months and then amortized over the next 12 years with a final maturity in 2019. Vibra may prepay the notes at any time without penalty. Maturities for the next five years are:

December 31,	(IN THOUSANDS)
2005	$ --
2006	--
2007	902
2008	9,675
2009	2,158
Thereafter	36,407
	$49,142

Substantially all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the loans. In addition the sole member of Vibra, an affiliated company owned by the sole member and Vibra Management, LLC have jointly and severally guaranteed the notes payable to MPT, although the obligation of the sole member is limited to $5 million and his membership interest in Vibra. A default in any of the MPT lease terms will also constitute a default under the notes.

As discussed in Note 11, Vibra used a portion of the proceeds of a long-term revolving credit facility from Merrill Lynch Capital to repay the MPT notes due March 31, 2005. As a result of this refinancing, the notes due MPT have been classified as long-term at December 31, 2004 in the accompanying consolidated balance sheet.

7. RELATED PARTY TRANSACTIONS

The Company has entered into agreements with Vibra Management, LLC (a company affiliated through common ownership) to provide management services to each hospital. The services include information system support, legal counsel, accounting/tax, human resources, program development, quality management and marketing oversight. The agreements call for a management fee equal to 2% of net patient service revenue, and are for an initial term of five years with automatic one-year renewals. Management fee expense amounted to $982,668 for the period from inception through December 31, 2004. At December 31, 2004, $164,007 was payable to Vibra Management, LLC and is included accounts payable -- related party in the accompanying consolidated balance sheet.

The spouse of the sole member of the Company provided legal consulting services to the Company on the hospital acquisition and on various operational licensing and financing matters. During the period from inception through December 31, 2004, legal consulting services from this person totaled $176,187, of which $98,137 was payable at December 31, 2004.

8. COMMITMENTS AND CONTINGENCIES

LEASES

Vibra entered into triple-net long-term real estate operating leases with MPT at each hospital. Each lease is for an initial term of 15 years and contains renewal options at Vibra's option for three additional five-year terms. Vibra has the option to purchase the leased property at the end of the lease term, including any extension periods, for the greater of the fair market value of the leased property, or the purchase price increased by 2.5% per annum from the commencement date.

The base rate at commencement is calculated at 10.25% of MPT's adjusted purchase price of the real estate ("APP"). The base rate increases to 12.23% of APP effective July 1, 2005. Beginning January 1, 2006, and each January 1, thereafter, the base rate increases by an inflator of 2.5% (i.e. base rate becomes 12.54% of APP on January 1, 2006).

Each lease also contains a percentage rent provision ("Percentage Rent"). Beginning January 1, 2005, if the aggregate monthly net patient service revenues of the six hospitals exceed an annualized net patient service revenue run rate of $110,000,000, additional rent equal to 2% of monthly net patient service revenue is triggered. The percentage rent is payable within ten days after the end of the applicable quarter. The percentage rent declines from 2% to 1% on a pro rata basis as Vibra repays the $49.142 million in notes to MPT.

Commencing on July 1, 2005, Vibra must make quarterly deposits to a capital improvement reserve at the rate of $375 per quarter per bed or $652,500 on an annual basis for all hospitals leased from MPT. The reserve may be used to fund capital improvements and repairs as agreed to by the parties.

The MPT leases are subject to various financial covenants including limitations on total debt to 100% of the total capitalization of the guarantors (as defined) or 4.5 times the 12 month total EBITDAR of the guarantors, whichever is greater, coverage ratios of 125% of debt service and 150% of rent (as defined), and maintenance of average daily patient census. As of December 31, 2004, Vibra was not in compliance with the debt service and rent coverage covenants. The MPT lease agreements were subsequently amended to delay the initial measurement date with respect to these financial covenants (Note 11). A default in any of the loan terms will also constitute a default under the leases. All of the MPT leases are cross defaulted.

Vibra has entered into operating leases for six outpatient clinics which expire on various dates through 2008.

Minimum future lease obligations on the leases are as follows (in thousands):

	MPT RENT OBLIGATION	OUTPATIENT CLINICS	TOTAL
December 31,			
2005	$ 14,344	$205	$ 14,549
2006	16,082	122	16,204
2007	16,485	84	16,569
2008	16,897	55	16,952
2009	17,319	--	17,319
Thereafter	188,465	--	188,465
	$269,592	$466	$270,058

Substantially, all of the assets of Vibra and its subsidiaries, as well as Vibra's membership interests in its subsidiaries, secure the MPT leases. In addition the sole member of Vibra, an affiliated Company owned by the sole member, and Vibra Management LLC have joint and severally guaranteed the leases to MPT, although the obligation of the sole member is limited to $5 million and his membership interest in Vibra.

The Company has sublet a floor of its Marlton, NJ, hospital to an independent pediatric rehabilitation provider. Three other hospitals have entered into numerous sublease arrangements. These subleases generated rental income of $884,913 for the period from inception through December 31, 2004 and is included in non-operating revenue in the accompanying consolidated statement of operations. The following table summarizes amounts due under sub leases (in thousands):

December 31, 2005	$ 1,119
2006	1,144
2007	1,170
2008	1,197
2009	1,223
Thereafter	4,614
	$10,467

LITIGATION

The Company is subject to legal proceedings and claims that have arisen in the ordinary course of its business and have not been finally adjudicated (including claims against the hospitals under prior ownership). In the opinion of management, the outcome of these actions will not have a material effect on the financial position or results of operations of the Company.

CALIFORNIA MEDICAID

The Company is in the process of fulfilling change of ownership requirements imposed by Medi-Cal, the California Medicaid administrator that date back to the prior owners' acquisition of the California hospitals. Amounts receivable at December 31, 2004, include $1,015,959 due from Medi-Cal, including $657,000 prior to the acquisition. Management is continuing to negotiate with Medi-Cal. The amount that will ultimately be received cannot be determined at this time.

CALIFORNIA SEISMIC UPGRADE

For earthquake protection California requires hospitals to receive an approved Structural Performance Category 2 (SPC-2) by January 1, 2008, to maintain its license. Hospitals may request a five year implementation extension. The Fresno, CA, hospital is expected to meet the SPC-2 standard by January 1, 2008, with capital outlays that are not material to the consolidated financial statements. The Kentfield, CA, hospital has applied for a three year extension to meet the requirement. Management is in preliminary consultations with consulting architects and engineers to develop a plan for Kentfield to meet the requirements. The capital outlay required to meet the standards at Kentfield cannot be determined at this time.

9. RETIREMENT SAVINGS PLAN

In November 2004, the Company began sponsorship of a defined contribution retirement savings plan for substantially all of its employees. Employees may elect to defer up to 15% of their salary. The Company matches 25% of the first 3% of compensation employees contribute to the plan. The employees vest in the employer contributions over a five-year period beginning on the employee's hire date. The expense incurred by the Company related to this plan was $21,310 for the period from inception through December 31, 2004.

10. SEGMENT INFORMATION

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information", establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers.

The Company's segments consist of (i) IRFs and (ii) LTACHs. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the segments based on loss from operations.

The following table summarizes selected financial data for the Company's reportable segments:

	FOR THE PERIOD FROM INCEPTION (MAY 14, 2004) THROUGH DECEMBER 31, 2004			
	IRF	LTACH	OTHER	TOTAL
Net patient service revenue........	$24,741,573	$23,524,446	$ --	$48,266,019
Net operating loss................	(3,649,867)	(1,395,339)	(63,205)	(5,108,411)
Interest expense..................	1,493,279	800,123	--	2,293,402
Depreciation and amortization......	185,746	116,448	--	302,194
Deferred rent......................	1,833,216	627,092	--	2,460,308
Total assets......................	32,175,207	26,702,535	143,108	59,020,850
Purchases of property and equipment........................	75,582	92,318	--	167,900
Goodwill...........................	16,664,491	7,845,805	--	24,510,296

11. SUBSEQUENT EVENT

On February 9, 2005, Vibra closed on a revolving credit facility (the "Revolver") with Merrill Lynch Capital secured by a first position in the Company's accounts receivable through an intercreditor agreement with MPT. Up to $14 million can be borrowed based on a formula of qualifying accounts receivable. The terms of the Revolver are interest only for three years at 30 day LIBOR plus 3% with a balloon maturity on February 8, 2008. The proceeds were used to repay $7,725,958 of notes payable to MPT and for general corporate purposes.

On March 31, 2005, MPT and Vibra amended the hospital leases for no consideration. The amendments included delaying the initial measurement date with respect to limitations on total debt and coverage ratios until the quarter ending September 30, 2006, aggregating the six hospitals financial results in calculating the financial covenants, establishing an escrow for property taxes and insurance, and certain other terms.

NO DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY US OR THE UNDERWRITERS. THE STATEMENTS IN THIS PROSPECTUS ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER DATE IS SPECIFIED, AND NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY THESE SHARES OF COMMON STOCK IN ANY CIRCUMSTANCES UNDER WHICH THE OFFER OR SOLICITATION IS UNLAWFUL.

TABLE OF CONTENTS

UNTIL , 2005, ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

12,066,823 SHARES

(MEDICAL PROPERTIES TRUST LOGO)
COMMON STOCK

PROSPECTUS

FRIEDMAN BILLINGS RAMSEY

JPMORGAN

WACHOVIA SECURITIES

STIFEL, NICOLAUS & COMPANY
INCORPORATED

, 2005

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 31. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses payable by the Registrant in connection with the issuance and distribution of common stock being registered. All amounts except the SEC registration fee are estimates.

	AMOUNT TO BE PAID
SEC registration fee	$ 19,539
NASD Fee	25,500
NYSE Listing Fees	205,000
Transfer agent and registrar fees	10,000
Legal fees and expenses	1,150,000
Accounting fees and expenses	575,000
Printing and mailing fees	400,000
Miscellaneous	609,461
Blue sky fees and expenses	2,500
Total	3,000,000

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* To be filed by amendment.

ITEM 32. SALES TO SPECIAL PARTIES.

Not applicable.

ITEM 33. RECENT SALES OF UNREGISTERED SECURITIES.

On April 6, 2004 and April 7, 2004, we sold in a private placement 21,857,329 shares of common stock to Friedman, Billings, Ramsey & Co., Inc., as initial purchaser, pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act of 1933, as amended , or the Securities Act, and Rule 506 of Regulation D thereunder. Friedman, Billings, Ramsey & Co., Inc. promptly resold 20,244,426 of these shares to qualified institutional buyers in accordance the resale exemption provided in Rule 144A under the Securities Act and to non-U.S. persons in accordance with the exemption provided in Regulation S under the Securities Act. Friedman, Billings, Ramsey & Co., Inc. paid us a purchase price of $9.30 per share for the shares it purchased and resold the shares that it resold for a price of $10.00 per share.

Also on April 7, 2004, the Company sold in a concurrent private placement 3,442,671 shares of common stock directly to institutional and individual accredited investors pursuant to the exemptions from registration provided in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. These shares were sold for $10.00 per share; however, Friedman, Billings, Ramsey & Co., Inc., which acted as placement agent, received a placement agent fee of $0.70 per share. In addition, we issued 260,954 shares of our common stock on April 7, 2004, to Friedman, Billings, Ramsey & Co., Inc. in a private placement under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder as payment for financial advisory services.

Each of the private placements that we made in reliance on the exemptions from registration provided under Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder, as described in the two proceeding paragraphs, did not involve any public offering of the common stock. In addition, each purchaser of privately placed shares provided us with written representations that it was an accredited investor within the meaning of Rule 501(e) of Regulation D, that it was a sophisticated investor and that it had the knowledge and experience necessary to evaluate the risks and merits of the investment in our common stock. In addition, each purchaser of our common stock in the private placements and resales that occurred on April 6 and April 7, 2004 was solicited on a private and confidential basis in a manner not involving any general solicitation or advertising in compliance with Regulation D.

Pursuant to our 2004 Equity Incentive Plan, we have granted options to purchase a total of 160,000 shares of common stock, and awarded 20,000 deferred stock units, to our current or former independent directors. In addition, on April 25, 2005, we awarded 82,000 shares of restricted common stock to certain of our employees. In granting these options to purchase common stock and deferred stock units and in making these restricted stock awards, we relied upon exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 701 under the Securities Act.

In August and September 2003, Mr. Aldag, Mr. McLean, Mr. McKenzie and Mr. Hamner, or our founders, were collectively issued 1,630,435 shares of our common stock in exchange for nominal cash consideration. Upon completion of our private placement in April 2004, 1,108,527 shares of common stock held by our senior management were redeemed for nominal value and they now collectively hold 557,908 shares of our common stock, including shares purchased in our April 2004 private placement. We relied upon Section 4(2) of the Securities Act in issuing these shares of common stock to our founders.

ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

We maintain a directors and officers liability insurance policy. Our charter limits the personal liability of our directors and officers for monetary damages to the fullest extent permitted under current Maryland law, and our charter and bylaws provide that a director or officer shall be indemnified to the fullest extent required or permitted by Maryland law from and against any claim or liability to which such director or officer may become subject by reason of his or her status as a director or officer of our company. Maryland law allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in a proceeding unless the following can be established:

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

Our stockholders have no personal liability for indemnification payments or other obligations under any indemnification agreements or arrangements. However, indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals.

This provision for indemnification of our directors and officers does not limit a stockholder's ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us or to our stockholders, although these equitable remedies may not be effective in some circumstances.

In addition to any indemnification to which our directors and officers are entitled pursuant to our charter and bylaws and the MGCL, our charter and bylaws provide that we may indemnify other employees and agents to the fullest extent permitted under Maryland law, whether they are serving us or, at our request, any other entity.

We have entered into indemnification agreements with each of our directors and executive officers, which we refer to in this context as indemnitees. The indemnification agreements provide that we will, to the fullest extent permitted by Maryland law, indemnify and defend each indemnitee against all losses and expenses incurred as a result of his current or past service as our director or officer, or incurred by reason of the fact that, while he was our director or officer, he was serving at our request as a director, officer, partners, trustee, employee or agent of a corporation, partnership, joint venture, trust, other enterprise or employee benefit plan. We have agreed to pay expenses incurred by an indemnitee before the final disposition of a claim provided that he provides us with a written affirmation that he has met the standard of conduct required for indemnification and a written undertaking to repay the amount we pay or reimburse if it is ultimately determined that he has not met the standard of conduct required for indemnification. We are to pay expenses within 20 days of receiving the indemnitee's written request for such an advance. Indemnitees are entitled to select counsel to defend against indemnifiable claims.

The general effect to investors of any arrangement under which any person who controls us or any of our directors, officers or agents is insured or indemnified against liability is a potential reduction in distributions to our stockholders resulting from our payment of premiums associated with liability insurance.

ITEM 35. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

None of the proceeds will be credited to an account other than the appropriate capital share account.

ITEM 36. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements. See page F-1 for an index of the financial statements included in the Registration Statement.

(b) Exhibits. The following exhibits are filed as part of this registration statement on Form S-11.

EXHIBIT NUMBER	EXHIBIT TITLE
1.1*	Form of Underwriting Agreement
3.1**	Registrant's Second Articles of Amendment and Restatement
3.2**	Registrant's Amended and Restated Bylaws
4.1*	Form of Common Stock Certificate
4.2	Registration Rights Agreement among Registrant, Friedman, Billings, Ramsey & Co., Inc. and certain holders of the Registrant's common stock, dated April 7, 2004
5.1*	Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to the legality of the shares being registered
8.1*	Opinion of Baker, Donelson, Bearman,

Caldwell & Berkowitz, P.C. with respect to certain tax matters 10.1** First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.2* Amended and Restated 2004 Equity Incentive Plan 10.3** Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated September 10, 2003 10.4** First Amendment to Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated March 8, 2004 10.5** Employment Agreement between the Registrant and Emmett E. McLean, dated September 10, 2003 10.6** Employment Agreement between the Registrant and R. Steven Hamner, dated September 10, 2003 10.7** Amended and Restated Employment Agreement between the Registrant and William G. McKenzie, dated September 10, 2003 10.8** Lease Agreement between MPT West Houston MOB, L.P. and Stealth L.P., dated June 17, 2004 10.9** Lease Agreement between MPT West Houston Hospital, L.P. and Stealth L.P., dated June 17, 2004

10.10** Third Amended and Restated Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane Operating Company, LLC, dated December 20, 2004

10.11** First Amendment to Third Amended and Restated Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane Operating Company, LLC, dated December 31, 2004

EXHIBIT NUMBER EXHIBIT TITLE
- ------- --- ----------
10.12** Second Amended and Restated Lease Agreement between 92 Brick Road, LLC and 92 Brick Road, Operating Company, LLC, dated December 20, 2004 10.13** First Amendment to Second Amended and Restated Lease Agreement between 92 Brick Road, LLC and 92 Brick Road, Operating Company, LLC, dated December 31, 2004 10.14** Third Amended and Restated Lease Agreement between San Joaquin Health Care Associates Limited Partnership and 7173 North Sharon Avenue Operating Company, LLC, dated December 20, 2004 10.15** First Amendment to Third Amended and Restated Lease Agreement between San Joaquin Health Care Associates Limited Partnership and 7173 North Sharon Avenue Operating Company, LLC, dated December 31, 2004 10.16** Second Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 20, 2004 10.17** First Amendment

Second Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 31, 2004 10.18**
Second Amended and Restated Lease Agreement between 4499 Acushnet Avenue, LLC and 4499 Acushnet Avenue Operating Company, LLC, dated December 20, 2004 10.19**
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Third Amended and Restated Lease Agreement between Kentfield THCI Holding Company, LLC and 1125 Sir Francis Drake Boulevard Operating Company, LLC, dated December 20, 2004 10.21**
First Amendment to Third Amended and Restated Lease Agreement between Kentfield THCI Holding Company, LLC and 1125 Sir Francis Drake Boulevard Operating Company, LLC, dated December 31, 2004 10.22**
Loan Agreement between Colonial Bank, N.A., and MPT West Houston MOB, L.P., dated December 17, 2004 10.23**
Loan Agreement

between Colonial Bank, N.A., and MPT West Houston Hospital, L.P., dated December 17, 2004 10.24** Loan Agreement between Merrill Lynch Capital and 4499 Acushnet Avenue, LLC, 8451 Pearl Street, LLC, 92 Brick Road, LLC, 1300 Campbell Lane, LLC, Kentfield THCI Holding Company, LLC and San Joaquin Health Care Associates, LP, dated December 31, 2004 10.25** Payment Guaranty made by the Registrant and MPT Operating Partnership, L.P. in favor of Merrill Lynch Capital, dated December 31, 2004 10.26** Purchase Agreement among THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC, THCI Mortgage Holding Company, LLC and MPT Operating Partnership, L.P., dated May 20, 2004 10.27** Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Victorville, LLC, Prime A Investments, L.L.C., Desert Valley Health System, Inc., Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc., dated February 28, 2005 10.28** Lease Agreement between MPT of Victorville, LLC and Desert Valley

Hospital, Inc., dated February 28, 2005 10.29** Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, dated March 3, 2005 10.30** Employment Agreement between the Registrant and Michael G. Stewart, dated April 28, 2005 10.31** Letter of Commitment between MPT Operating Partnership, L.P. and Monroe Hospital Operating Hospital, dated February 28, 2005 10.32** Letter of Commitment between MPT Operating Partnership, L.P., Covington Healthcare Properties, LLC and Denham Springs Healthcare Properties, LLC, dated March 14, 2005 10.33** Letter of Commitment between MPT Operating Partnership, L.P. and North Cypress Medical Center Operating Partnership, Ltd., dated March 16, 2005

EXHIBIT NUMBER EXHIBIT TITLE - ------- ------- ------ 10.34** Letter of Commitment between MPT Operating Partnership, L.P., Hammond Healthcare Properties, LLC and Hammond Rehabilitation Hospital, LLC, dated April 1, 2005 10.35** Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 3, 2005 10.36** Amendment to Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 31, 2005 10.37** Letter of Commitment between MPT Operating Partnership, L.P., MPT of Victorville, LLC and Desert Valley Hospital, Inc., dated February 28, 2005 10.38** Amendment to Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, DSI Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., dated April 29, 2005 10.39** Sublease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.40** Net Ground Lease between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.41** Purchase and Sale Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.42** Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.43** Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.44** Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.45** Amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.46** Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005 10.47 Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long

Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005 10.48 Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005 10.49 Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005 10.50* Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005 10.51* Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005 10.52* Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., dated November 14, 1997 10.53* Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993 10.54* Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001 10.55* Form of

Indemnification Agreement between the Registrant and executive officers and directors 21.1* Subsidiaries of the Registrant

EXHIBIT NUMBER	EXHIBIT TITLE
23.1	Consent of KPMG LLP
23.2	Consent of Parente Randolph, LLC
23.3*	Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. (included in Exhibits 5.1 and 8.1)
24.1**	Power of Attorney, included on signature page of the Registrant's Form S-11 filed with the Commission on October 26, 2004
24.2**	Power of Attorney, included on signature page of Amendment No. 3 to the Registrant's Form S-11 filed with the Commission on May 13, 2005

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* To be filed by amendment.

** Previously filed.

ITEM 37. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus

filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Birmingham, Alabama on July 1, 2005.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. STEVEN HAMNER

R. Steven Hamner
Executive Vice President,
Chief Financial Officer and Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates listed.

SIGNATURE TITLE DATE --------- ----- ---- * Chairman of the Board, President July 1, 2005 - --------------------------------------- and Chief Executive Officer Edward K. Aldag, Jr. /s/ R. STEVEN HAMNER Executive Vice President, Chief July 1, 2005 - -------------------------------------- Financial Officer and Director R. Steven Hamner * July 1, 2005 - ------------------------------------ Director Virginia A. Clarke * July 1, 2005 - ------------------------------------ Director G. Steven Dawson * July 1, 2005 - ------------------------------------ Director Bryan L. Goolsby * July 1, 2005 - --- ---------- ----------

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Director
Robert E. Holmes, Ph.D. * July 1, 2005 - -------------------------------------
Vice Chairman of the Board
William G. McKenzie * July 1, 2005 - -------------------------------------
Director
L. Glenn Orr, Jr.
*By: /s/ R. STEVEN HAMNER July 1, 2005 -------------------------------
R. Steven Hamner
Attorney-in-Fact

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10.25**	Payment Guaranty made by the Registrant and MPT Operating Partnership, L.P. in favor of Merrill Lynch Capital, dated December 31, 2004
10.26**	Purchase Agreement among THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC, THCI

Mortgage Holding Company, LLC and MPT Operating Partnership, L.P., dated May 20, 2004 10.27** Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Victorville, LLC, Prime A Investments, L.L.C., Desert Valley Health System, Inc., Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc., dated February 28, 2005 10.28** Lease Agreement between MPT of Victorville, LLC and Desert Valley Hospital, Inc., dated February 28, 2005 10.29** Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, dated March 3, 2005 10.30** Employment Agreement between the Registrant and Michael G. Stewart, dated April 28, 2005 10.31** Letter of Commitment between MPT Operating Partnership, L.P. and Monroe Hospital Operating Hospital, dated February 28, 2005 10.32** Letter of Commitment between MPT Operating Partnership, L.P., Covington Healthcare Properties, LLC and Denham Springs Healthcare Properties, LLC, dated March 14, 2005 10.33** Letter of Commitment between MPT Operating Partnership, L.P. and North Cypress Medical Center Operating Partnership, Ltd., dated March 16, 2005 10.34** Letter of Commitment between MPT Operating Partnership, L.P., Hammond Healthcare Properties, LLC and Hammond Rehabilitation Hospital, LLC, dated April 1, 2005 10.35** Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 3, 2005 10.36** Amendment to Letter of Commitment between MPT Operating Partnership, L.P. and Diversified Specialty Institutes, Inc., dated March 31, 2005 10.37** Letter of Commitment between MPT Operating Partnership, L.P., MPT of Victorville, LLC and Desert Valley Hospital, Inc., dated February 28, 2005 10.38** Amendment to Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, DSI

Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., dated April 29, 2005 10.39** Sublease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.40** Net Ground Lease between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.41** Purchase and Sale Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.42** Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005

EXHIBIT NUMBER EXHIBIT TITLE -------------- ------------- 10.43** Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005 10.44** Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005 10.45** Amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.46** Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005 10.47 Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005 10.48 Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005 10.49 Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005 10.50* Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005 10.51* Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005 10.52* Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Guardian Postacute Services, Inc., dated November 14, 1997 10.53* Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993 10.54* Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001 10.55* Form of Indemnification Agreement between the Registrant and executive officers and directors 21.1* Subsidiaries of the Registrant 23.1 Consent of KPMG LLP 23.2 Consent of Parente Randolph, LLC 23.3* Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. (included in Exhibits 5.1 and 8.1) 24.1** Power of Attorney, included on signature page of the Registrant's Form S-11 filed with the Commission on October 26, 2004 24.2** Power of Attorney included on signature page of Amendment No. 3 to the Registrant's Form S-11 filed with the Commission on May 13, 2005

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* To be filed by amendment.

** Previously filed.

EXHIBIT 4.2

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 7, 2004, by and among MEDICAL PROPERTIES TRUST, INC., a Maryland corporation (the "Company"), and FRIEDMAN, BILLINGS, RAMSEY & CO., INC., A Delaware corporation ("FBR") and the HOLDERS (as defined below).

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

A. The Company, MPT Operating Partnership, L.P., a Delaware limited partnership ("MPT Partnership") and FBR entered into that certain Purchase/Placement Agreement dated as of March 31, 2004 (the "Purchase Agreement") in connection with the offering and sale (the "Offering") of 22,000,000 shares of common stock, par value $.001 per share, of the Company ("Common Stock"), including up to 3,300,000 shares of Common Stock that may be issued pursuant to an additional allotment option granted to FBR.

B. In order to induce the investors who are purchasing the Common Stock in the Offering to purchase such Common Stock and FBR to enter into the Purchase Agreement, the Company has agreed to provide the registration rights provided for in this Agreement for the Holders and such investors have, by separate instrument, agreed to be bound by the terms and provisions hereof.

C. The execution and delivery of this Agreement is a condition to the closing of the transactions contemplated by the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms have the following meanings:

Additional Shares: Shares or FBR Shares (as defined below) or other securities issued in respect of the Shares or FBR Shares by reason of or in connection with any stock dividend, stock distribution, stock split, or similar issuance.

Agreement: As defined in the preamble hereof.

Affiliate: As to any specified Person, (i) any Person that directly, or indirectly through one or more intermediaries or relationships, controls or is controlled by, or is under common control with, the specified Person, (ii) any executive officer, director, trustee, managing member, general partner or Person in a similar capacity of the specified Person and (iii) any legal entity for which the specified Person acts as an executive officer, director, trustee, managing member, general partner or Person in a similar capacity. For purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly, or indirectly through one or more intermediaries or relationships, of the power to direct or cause the direction of the management and policies of such Person, whether by contract, through the ownership of voting securities, partnership or member interests or other equity interests or otherwise. An indirect relationship includes, but is not limited to, circumstances in which a Person's spouse, children, parents, siblings or mother-, father-, sister- or brother-in-law is or has been associated with a Person.

Business Day: With respect to any act to be performed hereunder, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York, New York are authorized or obligated by applicable law, regulation or executive order to close.

Closing Time: April 7, 2004, or such other time or such other date as FBR and the Company may agree in writing.

Commission: The Securities and Exchange Commission.

Common Stock: As defined in recital A hereof.

Company: As defined in the preamble hereof, and any successor thereto.

Controlling Person. As defined in Section 6(a) hereof.

End of Suspension Notice: As defined in Section 5(b) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission thereunder.

FBR: As defined in the preamble hereof, and any successor thereto.

FBR Shares: The 226,933 shares of Common Stock issued to FBR, or its designees, pursuant to and in accordance with the Purchase Agreement.

Holder: Each record owner of any Registrable Shares from time to time.

Indemnified Party: As defined in Section 6(c) hereof.

Indemnifying Party: As defined in Section 6(c) hereof.

IPO Registration Statement: As defined in Section 2(b) hereof.

Liabilities: As defined in Section 6(a) hereof.

Mandatory Shelf Registration Statement: As defined in Section 2(a) hereof.

MPT Partnership: As defined in recital A hereof.

NASD: The National Association of Securities Dealers, Inc.

Offering: As defined in recital A hereof.

Person: An individual, partnership, corporation, trust, limited liability company, unincorporated organization, government or agency or political subdivision thereof, or any other legal entity.

Proceeding: An action (including a class action), claim, suit, demand, arbitration or other proceeding (including without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or, to the knowledge of the Person subject thereto, threatened.

Prospectus: The prospectus included in any Registration Statement, including any preliminary prospectus, and all other amendments and supplements to any such prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference, if any, in such prospectus.

Purchase Agreement: As defined in recital A hereof, as amended from time to time in accordance with the terms thereof.

Purchaser Indemnitee: As defined in Section 6(a) hereof.

Registrable Shares: Each of the Shares, each of the FBR Shares and any Additional Shares, upon original issuance thereof, and at all times subsequent thereto, including upon the transfer thereof by the original holder or any subsequent holder, until, in the case of any such Shares or Additional Shares, as applicable, the earliest to occur of:

(i) the date on which such Shares have been sold pursuant to a Registration Statement or sold, transferred or otherwise disposed of pursuant to Rule 144;

(ii) the date on which such Shares not held by Affiliates of the Company are eligible for purchase without registration under the Securities Act pursuant to subparagraph (k) of Rule 144;

(iii) the date on which such Shares have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer have been delivered by the Company and subsequent public distribution of such Shares shall not require registration or qualification of under the Securities Act or any similar state law then in force; or

(iv) the second annual anniversary of the initial effective date of the Mandatory Shelf Registration Statement.

Registration Expenses: Any and all expenses of the Company incident to the performance of or compliance with this Agreement, including, without limitation: (i) all Commission, securities exchange, NASD or other registration, listing, inclusion and filing fees, (ii) all fees and expenses incurred in connection with compliance with international, federal or state securities or blue sky laws (including, without limitation, any registration, listing and filing fees and reasonable fees and disbursements of counsel in connection with blue sky qualification of any of the Registrable Shares and the preparation of a blue sky memorandum and compliance with the rules of the NASD), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, duplicating, printing, delivering and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, agreements among underwriters, securities sales agreements, certificates and any other documents relating to the performance of the Company under and compliance by the Company with this Agreement, (iv) all fees and expenses incurred in connection with the listing or inclusion of any of the Registrable Shares on any securities exchange or national quotation system pursuant to Section 4(n) of this Agreement or otherwise, (v) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company (including, without limitation, the expenses of any special audit and "cold comfort" letters required by or incident to such performance), and the reasonable fees and disbursements (up to a maximum aggregate amount of $50,000) of one counsel and one accounting firm (as selected by FBR) for the selling Holders to review any Registration Statement, and (vi) any fees and disbursements customarily paid or otherwise negotiated for payment by issuers in connection with issues and sales of securities (including the fees and expenses of any experts retained by the Company in connection with any Registration Statement), provided, however, that Registration Expenses shall exclude brokers' or underwriters' discounts and commissions and transfer taxes or transfer fees, if any, relating to the sale or disposition of Registrable Shares by a Holder and the fees and disbursements of any counsel to or accounting firm of the Holders other than as provided for in subparagraph (v) above.

Registration Statement: Any Shelf Registration Statement, any Subsequent Shelf Registration Statement or the IPO Registration Statement (that covers the resale of any Registrable Shares), including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre-and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement.

Rule 144: Rule 144 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 144A: Rule 144A promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 158: Rule 158 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 415: Rule 415 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 424: Rule 424 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Rule 429: Rule 429 promulgated by the Commission pursuant to the Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission as a replacement thereto having substantially the same effect as such rule.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

Shares: As defined in the Purchase Agreement.

Shelf Registration Statement: The Mandatory Shelf Registration Statement or any Subsequent Shelf Registration Statement.

Subsequent Shelf Registration Statement: As defined in Section 2(c) hereof.

Suspension Event: As defined in Section 5(b) hereof.

Suspension Notice: As defined in Section 5(b) hereof.

Underwritten Offering: A sale of securities of the Company to an underwriter or underwriters for reoffering to the public.

2. Registration Rights.

(a) Mandatory Shelf Registration. The Company agrees to file with the Commission as soon as practicable, but in no event later than nine months from the date hereof, a Shelf Registration Statement on Form S-11 or such other form under the Securities Act then available to the Company providing for the resale pursuant to Rule 415 from time to time by the Holders of all of the Registrable Shares (including for the avoidance of doubt any Additional Shares that are issued prior to the effectiveness of such shelf registration statement) (including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, the "Mandatory Shelf Registration Statement"). The Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared effective by the Commission as promptly as practicable following such filing. Such reasonable best efforts shall include, without limitation, responding to any comments issued by the staff of the Commission with respect to any Registration Statement and filing any related amendment to such Registration Statement as soon as reasonably practicable after receipt of such comments. Any Shelf Registration Statement shall provide for the resale from time to time and pursuant to any method or combination of methods legally available (including, without limitation, an Underwritten Offering) by the Holders of any and all Registrable Shares.

(b) IPO Registration. If the Company proposes to file a registration statement on Form S-11 or such other form under the Securities Act providing for the initial public offering of shares of Common Stock (including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, the "IPO Registration Statement"), the Company will notify, in writing, each Holder of the proposed filing and afford each Holder an opportunity to include in such IPO Registration Statement all or any part of the Registrable Shares then held by such Holder. Each Holder desiring to include in any such IPO Registration Statement all or part of the Registrable Shares held by such Holder shall, within twenty (20) Business Days after receipt of the above-described written notice by the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Shares such Holder wishes to include in such IPO Registration Statement. Any election by any Holder to include any Registrable Shares in such IPO Registration Statement will not affect the inclusion of such Registrable Shares in the Shelf Registration Statement until such Registrable Shares have been sold under the IPO Registration Statement; provided, however, that at such time of sale, the Company shall have the right to remove from the Shelf Registration Statement the Registrable Shares sold pursuant to the IPO Registration Statement.

(i) Right to Terminate or Delayed IPO Registration. At any time, the Company shall have the right to terminate or withdraw any IPO Registration Statement referred to in this Section 2(b) whether or not any Holder has elected to include Registrable Shares in such registration; provided, however, the Company must provide each Holder that elected to include any Registrable Shares in such IPO Registration Statement prompt written notice of such termination. Furthermore, in the event the IPO Registration Statement is not declared effective by the Commission within ninety (90) Business Days following delivery by the Company of notice to the Holders of their initial opportunity to include all or any part of the Registrable Shares then held by such Holders in the IPO Registration Statement, the Company shall promptly provide a new written notice to all Holders giving them another opportunity to elect to include Registrable Shares in the pending IPO Registration Statement. Each Holder receiving such notice shall have the same election rights afforded such Holder as described in clause (b) above.

(ii) Underwriting, The Company shall give written notice to the Holders who elected to be included in the IPO Registration Statement of the managing underwriters for the Underwritten Offering proposed under the IPO Registration Statement. The right of any such Holder's Registrable Shares to be included in any IPO Registration Statement pursuant to this Section 2(b) shall be conditioned upon such Holder's participation in such Underwritten Offering and the inclusion of such Holder's Registrable Shares in the Underwritten Offering to the extent provided herein. All Holders proposing to distribute their Registrable Shares through such Underwritten Offering shall enter into an underwriting agreement in customary form with the managing underwriters selected by the Company (consistent with its contractual obligations) for such underwriting and complete and execute, as reasonably requested as to scope and form, any questionnaires, powers of attorney, indemnities, securities escrow agreements and other documents reasonably required under the terms of such underwriting, and furnish to the Company such information in writing as the Company may reasonably request for inclusion in the Registration Statement; provided, however, that no Holder shall be required to make any representations or warranties to or agreements (including indemnities) with the Company or the underwriters other than representations, warranties or agreements (including indemnities) as are customary and reasonably requested by the underwriters with the understanding that the foregoing shall be several, not joint and several, and no such agreement (including indemnities) shall require any Holder to be liable for an amount in excess of the net proceeds received by such Holder through such Underwritten Offering. Notwithstanding any other provision of this

Agreement, if the managing underwriters determine in their sole discretion that marketing factors require a limitation on the number of shares to be included, then the managing underwriters may exclude shares (including Registrable Shares) from the IPO Registration Statement and the Underwritten Offering and any Shares included in the IPO Registration Statement and the Underwritten Offering shall be allocated, first, to the Company, and second, to each of the Holders requesting inclusion of their Registrable Shares in such IPO Registration Statement on a pro rata basis based on the total number of Registrable Shares then requested for inclusion by each such Holder. If any Holder disapproves of the terms of any Underwritten Offering that is undertaken in compliance with the terms hereof, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least five (5) Business Days prior to the effective date of the IPO Registration Statement. Any Registrable Shares excluded or withdrawn from such Underwritten Offering shall be excluded and withdrawn from the IPO Registration Statement.

(iii) Hold-Each Agreement. By electing to include Registrable Shares in the IPO Registration Statement, if any, the Holder shall be deemed to have agreed not to effect any sale or distribution of securities of the Company of the same or similar class or classes of the securities included in the Registration Statement or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 or Rule 144A under the Securities Act, during such periods as reasonably and customarily requested by the managing underwriter (but in no event for a period longer than sixty (60) days following the effective date of the IPO Registration Statement, provided each of the executive officers and directors of the Company that hold shares of Common Stock of the Company or securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company are subject to the same restriction for the entire time period required of the Holders hereunder), if an Underwritten Offering.

(iv) Shelf Registration not Impacted by IPO Registration Statement. The Company's obligation to file and keep effective any Shelf Registration Statement shall not be affected by the filing or effectiveness of the IPO Registration Statement.

(c) Subsequent Shelf Registration for Additional Shares Issued after Effectiveness of the Mandatory Shelf Registration Statement. If any Additional Shares are issued or distributed to Holders after the effectiveness of the Mandatory Shelf Registration Statement, or such Additional Shares were otherwise not included in a prior Shelf Registration Statement, then the Company shall as soon as practicable, but in no event later than sixty (60) days after the issuance of such Additional Shares, file an additional shelf registration statement (including the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto and all material incorporated by reference or deemed to be incorporated by reference, if any, in such registration statement, a "Subsequent Shelf Registration Statement") covering such Additional Shares on behalf of the Holders thereof in the same manner, and subject to the same provisions in this Agreement as the Mandatory Shelf Registration Statement, provided that the provisions of the first sentence of Section 2(a) hereof will not apply to any such Subsequent Shelf Registration Statement.

(d) Expenses. The Company shall pay all Registration Expenses in connection with the registration of the Registrable Shares pursuant to this Agreement. Each Holder participating in a registration pursuant to this Section 2 shall bear such Holder's proportionate share (based on the total number of Registrable Shares sold in such registration) of all discounts and commissions payable to underwriters or brokers and all transfer taxes and transfer fees in connection with a registration of Registrable Shares pursuant to this Agreement and any other expense of the Holders not allocated to the Company pursuant to this Agreement relating to the sale or disposition of such Holder's Registrable Shares pursuant to any Registration Statement.

3. Rules 144 and 144A Reporting.

With a view to making available the benefits of certain rules and regulations of the Commission that may permit the sale of the Registrable Shares to the public without registration, the Company agrees to, until such date as no Holder owns any Registrable Shares:

(a) at all times after the effective date of the first Registration Statement under the Securities Act filed by the Company for an offering of its securities to the general public, make and keep public information available, as those terms are understood and defined in Rule 144(c) under the Securities Act;

(b) use its best efforts to timely file with the Commission all reports and other documents required to be filed by the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements);

(c) if the Company is not required to file reports and other documents under the Securities Act and the Exchange Act, make available other information as required by, and so long as necessary to permit sales of Registrable Shares pursuant to, Rule 144A; and

(d) without cost to any Holder, furnish to any Holder promptly upon request a written statement by the Company as to its compliance in all material respects with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the first Registration Statement filed by the Company for an offering of its securities to the general public) and of the Securities Act and the Exchange Act (at any time after it has become subject to the reporting requirements of the Exchange Act), a copy of the most recent annual and quarterly report(s) of the Company, and such other reports, documents or shareholder communications of the Company, and take such further actions consistent with this Section, as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such Registrable Shares without registration.

4. Registration Procedures.

In connection with the obligations of the Company with respect to any registration pursuant to this Agreement, the Company shall use its reasonable best efforts to effect or cause to be effected the registration of the Registrable Shares under the Securities Act to permit the public resale of such Registrable Shares by the Holder or Holders in accordance with the Holders' intended method or methods of resale and distribution, and the Company shall, without limitation:

(a) prepare and file with the Commission, as specified in this Agreement, a Shelf Registration Statement, which Shelf Registration Statement shall comply as to form with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith, and use its reasonable best efforts to cause such Registration Statement to become effective as soon as practicable after filing and to remain effective, subject to Section 5 hereof, until the date on which no Holders hold Registrable Shares; provided, however, that if the Company has an effective Shelf Registration Statement on Form S-11 under the Securities Act and becomes eligible to use Form S-3 or such other short-form registration statement under the Securities Act, the Company may, upon twenty (20) Business Days' prior written notice to all Holders of Registrable Shares, register any Registrable Shares registered but not yet distributed under the effective Shelf Registration Statement on such a short-form Shelf Registration Statement and, once the short-form Shelf Registration Statement is declared effective, de-register such shares under the previous Registration Statement or transfer filing fees from the previous Registration Statement (such transfer pursuant to Rule 429) unless any Holder of Registrable Shares registered under the initial Shelf Registration Statement notifies the Company within fifteen (15) Business Days of receipt of the Company notice that such a registration under a new Registration Statement and de-registration of the initial Shelf Registration Statement would materially interfere with its distribution of Registrable Shares already in progress, in which case the Company shall delay the effectiveness of the short-form Shelf Registration Statement and de-registration until not later than thirty (30) Business Days from the date that the Company receives the notice from a Holder requesting a delay;

(b) subject to Section 4(i) hereof, (i) prepare and file with the Commission such amendments and post-effective amendments to each such Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement effective for the period described in Section 4(a) hereof, (ii) cause each Prospectus contained therein to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 or any similar rule that may be adopted under the Securities Act, and (iii) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by each Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the selling Holders thereof;

(c) furnish to the Holders, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Holder may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Shares; the Company consents, subject to Section 5, to the use of such Prospectus, including each preliminary Prospectus, by the Holders, if any, in connection with the offering and sale of the Registrable Shares covered by any such Prospectus;

(d) use its reasonable best efforts to (i) register or qualify, or obtain exemption from registration or qualification for, all Registrable Shares by the time the applicable Registration Statement is declared effective by the Commission under all applicable state securities or "blue sky" laws of such domestic United States jurisdictions as FBR or any Holder covered by a Registration Statement shall reasonably request in writing, (ii) keep each such registration or qualification or exemption effective during the period such Registration Statement is required to be kept effective pursuant to Section 4(a) and (iii) do any and all other acts and things that may be reasonably necessary or advisable to enable such Holder to consummate the disposition in each such jurisdiction of such Registrable Shares owned by such Holder; provided, however, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction or to register as a broker or dealer in such jurisdiction where it would not otherwise be required to qualify but for this Section 4(d), (ii) subject itself to taxation in any such jurisdiction, or (iii) submit to the general service of process in any such jurisdiction; provided, further, that if the Company is unable to list the Registrable Shares on a national stock exchange or qualify for quotation on an automatic quotation system at or prior to the time the Registration Statement is declared effective by the Commission because it fails to meet requirements for such listing or quotation regarding the number of holders of its Common Stock, the obligation in this Section 4(d) shall not require the Company to register or qualify the Registrable Shares in any state or foreign jurisdiction where the Company reasonably concludes, based upon the advice of securities counsel, that such registration or qualification would require unreasonable efforts (including, without limitation, amendments to this Company's charter or bylaws) or expense;

(e) use its reasonable best efforts to cause all Registrable Shares covered by such Registration Statement to be registered and approved by such other domestic state or local governmental agencies or authorities in the United States, if any, as may be necessary to enable the Holders thereof to consummate the disposition of such Registrable Shares;

(f) notify FBR and each Holder with Registrable Shares covered by a Registration Statement promptly and, promptly confirm such advice in writing at the address determined in accordance with Section 10(c), (i) when such Registration Statement has become effective and when any post- effective amendments and supplements thereto become effective, (ii) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of such Registration Statement or the initiation of any Proceedings for that purpose, (iii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to such Registration Statement or related Prospectus or for additional information, and (iv) of any reason, including, but not limited to, the happening of any event during the period such Registration Statement is effective as a result of which such Registration Statement or the related Prospectus or any document incorporated by reference therein contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading (which information shall be accompanied by an instruction to suspend the use of the Registration Statement and the Prospectus until the requisite changes have been made);

(g) during the period of time referred to in Section 4(a) above, use its reasonable best efforts to avoid the issuance of, or if issued, to obtain the withdrawal of, any order enjoining or suspending the use or effectiveness of a Shelf Registration Statement or suspending the qualification (or exemption from qualification) of any of the Registrable Shares for sale in any jurisdiction, as promptly as practicable;

(h) provide to FBR and its counsel within three (3) Business Days of receipt by the Company or its counsel, copies of any material correspondence (which FBR may disclose to any other Holder) with or from the Commission or its staff with respect to a Registration Statement; and upon request, furnish to each requesting Holder with Registrable Shares covered by a Registration Statement, without charge, at least one (1) conformed copy of such Registration Statement and any post-effective amendment or supplement thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(i) except as provided in Section 5, upon the occurrence of any event contemplated by Section 4(f)(iv) hereof, use its reasonable best efforts to promptly prepare a supplement or post-effective amendment to a Shelf Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Shares, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and, upon request and without charge, promptly furnish to each requesting Holder a reasonable number of copies of each such supplement or post-effective amendment;

(j) if requested by the representative of the underwriters, if any, or any Holders of Registrable Shares being sold in connection with an Underwritten Offering, (i) promptly incorporate in a prospectus supplement or post-effective amendment such material information as the representative of the underwriters, if any, or such Holders indicate in writing relates to them or otherwise reasonably request in writing be included therein and (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Company has received written notification of the matters to be incorporated in such prospectus supplement or post-effective amendment; provided, however, that the Company shall not be required to take any action pursuant to this Section 4(j) that would, in the opinion of counsel for the Company, violate applicable law;

(k) in the case of an Underwritten Offering, use its reasonable best efforts to furnish or caused to be furnished to each Holder of Registrable Shares covered by such Registration Statement and the underwriters a signed counterpart, addressed to each such Holder and the underwriters, of: (i) an opinion of counsel for the Company, dated the date of each closing under the underwriting agreement, reasonably satisfactory to such Holder; and (ii) a "comfort" letter, dated the effective date of such Registration Statement and the date of each closing under the underwriting agreement, signed by the independent public accountants who have certified the Company's financial statements included in such Registration Statement, covering substantially the same matters with respect to such Registration Statement (and the Prospectus included therein) and with respect to events subsequent to the date of such financial statements, as are customarily covered in accountants' letters delivered to underwriters in underwritten public offerings of securities and such other financial matters as such Holder and the underwriters may reasonably request and customarily obtained by underwriters in underwritten offerings;

(l) enter into customary agreements (including in the case of an Underwritten Offering, an underwriting agreement in customary form) and take all other reasonable action in connection therewith in order to expedite or facilitate the distribution of the Registrable Shares included in such Registration Statement and, in the case of an Underwritten Offering, make representations, warranties and agreements (including indemnities) to the Holders of Registrable Shares covered by such Registration Statement and to the underwriters in such form and scope as are customarily made by issuers to underwriters and Holders in underwritten offerings and confirm the same in writing to the extent customary if and when requested;

(m) in connection with an Underwritten Offering, make available for inspection by one representative appointed by the Holders of a majority of the Registrable Shares and the representative of any underwriters participating in any disposition pursuant to a Registration Statement and any counsel and accounting firm retained by the Holders and underwriters, respectively, all financial and other records, pertinent corporate documents and properties of the Company and cause the respective officers, directors, employees and agents of the Company to supply all information reasonably requested by any such representatives, the representative of the underwriters, counsel thereto or accountants in connection with a Registration Statement; provided, however, that such records, documents or information that the Company determines, in good faith, to be confidential and notifies such representative of the Holders, representative of the underwriters, counsel thereto or accountants thereto are confidential shall not be disclosed by the representatives, representative of the underwriters, counsel thereto or accountants unless (i) the disclosure of such records, documents or information is necessary to avoid or correct a misstatement or omission in a Registration Statement or Prospectus and the Registrable Shares are not subject to a suspension of sales pursuant to Section 5 hereof, (ii) the release of such records, documents or information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, or (iii) such records, documents or information have been generally made available to the public; provided further, that to the extent practicable, the foregoing inspection and information gathering shall be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of the Holders and the other parties.

(n) use its reasonable best efforts to qualify for, and list or include all Registrable Shares on, the New York Stock Exchange or the Nasdaq National Market as soon as practicable (including, without limitation, seeking to cure in the Company's listing or inclusion application any deficiencies cited by the exchange or market) and thereafter use reasonable best efforts to maintain such listing;

(o) prepare and timely file all documents, reports and certifications required by the Securities Act and the Exchange Act at all times beginning from the date the Company is first subject to such filing, reporting or certification requirements through the date no Holders hold Registrable Shares;

(p) provide a CUSIP number for all Registrable Shares, not later than the effective date of the Registration Statement;

(q) (i) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission and, as applicable, the New York Stock Exchange, Nasdaq National Market or other listing standard, (ii) use reasonable best efforts to make generally available to its stockholders, as soon as reasonably practicable, earnings statements covering at least twelve (12) months beginning after the effective date of the Registration Statement that satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 (or any similar rule promulgated under the Securities Act) thereunder, no later than forty-five (45) days after the end of each fiscal quarter occurring after the first anniversary of the effective date of the Registration Statement (unless such fiscal quarter is the last fiscal quarter of the Company's fiscal year, in which case such earnings statement shall be delivered no later than ninety (90) days after such fiscal quarter occurring after the first anniversary of the effective date of the Registration Statement) and (iii) delay filing any Registration Statement or Prospectus or amendment or supplement to such Registration Statement or Prospectus to which any Holder of Registrable

Shares covered by any Registration Statement shall have reasonably objected on the grounds that such Registration Statement or Prospectus or amendment or supplement does not comply in all material respects with the requirements of the Securities Act, such Holder having been furnished with a copy thereof at least three (3) Business Days prior to the filing thereof, provided that the Company may file such Registration Statement or Prospectus or amendment or supplement following such time as the Company shall have made a good faith effort to resolve any such issue with the objecting Holder and shall have advised the Holder in writing of its reasonable belief that such filing complies with the requirements of the Securities Act;

(r) provide and cause to be maintained a registrar and transfer agent for all Registrable Shares covered by any Registration Statement from and after a date not later than the effective date of such Registration Statement;

(s) in connection with any sale or transfer of the Registrable Shares (whether or not pursuant to a Registration Statement) that will result in the security being delivered no longer being Registrable Shares, cooperate with the Holders and the representative of the underwriters, if any, to facilitate the timely preparation and delivery of certificates representing the Registrable Shares to be sold, which certificates shall not bear any transfer restrictive legends (other than as required by the Company's Charter) and to enable such Registrable Shares to be in such denominations and registered in such names as the representative of the underwriters, if any, or the Holders may reasonably request at least three (3) Business Days prior to any sale of the Registrable Shares; and

(t) upon effectiveness of the first Registration Statement filed by the Company, the Company will take such actions and make such filings as are necessary to effect the registration of the Common Stock under the Exchange Act simultaneously with or as soon as practicable following the effectiveness of the Registration Statement.

The Company may require the Holders to furnish to the Company such information regarding the proposed distribution by such Holder as the Company may from time to time reasonably request in writing or as shall be required to effect the registration of the Registrable Shares and no Holder shall be entitled to be named as a selling stockholder in any Registration Statement and no Holder shall be entitled to use the Prospectus forming a part thereof if such Holder does not provide such reasonable information to the Company. Any Holder that sells Registrable Shares pursuant to a Registration Statement or as a selling stockholder pursuant to an Underwritten Offering shall be required to be named as a selling stockholder in the related prospectus and to deliver a prospectus to purchasers. Each Holder further agrees to furnish promptly to the Company in writing all information required from time to time to make the information previously furnished by such Holder not misleading and each Holder shall have a reasonable opportunity to review and comment upon the Registration Statement with respect to the accuracy of the information provided by such Holder, which shall include at least five (5) Business Days after receipt of any Registration Statement to provide comments thereon to the Company or its counsel. The designated counsel, if any, for the Holders shall, on behalf of the Holders, have the right to review and comment upon the Registration Statement prior to the time it is filed with the Commission, which shall include at least ten (10) Business Days after receipt of any Registration Statement to provide comments thereon to the Company or its counsel.

Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(f)(ii), 4(f)(iii) or 4(f)(iv) hereof, such Holder will immediately discontinue disposition of Registrable Shares pursuant to a Registration Statement until such Holder's receipt of copies of the supplemented or amended Prospectus. If so directed by the Company, such Holder will deliver to the Company (at the reasonable expense of the Company) all copies in its possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Shares current at the time of receipt of such notice.

5. Black-Out Period.

(a) Subject to the provisions of this Section 5 and a good faith determination by a majority of the independent members of the Board of Directors of the Company that it is in compliance with the terms hereof and that is in the best interests of the Company to suspend the use of the Registration Statement, following the effectiveness of a Registration Statement (and the filings with any international, federal or state securities commissions), the Company, by written notice to FBR and the Holders, may direct the Holders to suspend sales of the Registrable Shares pursuant to a Registration Statement for such times as the Company reasonably may determine is necessary and advisable (but in no event for more than an aggregate of ninety (90) days in any rolling twelve (12)-month period commencing on the Closing Time or more than sixty (60) days in any rolling ninety (90)-day period, and no more than three (3) separate times in any rolling 12 month period) if any of the following events shall occur: (i) the majority of the independent members of the Board of Directors of the Company in good faith determine that (A) the offer or sale of any Registrable Shares would materially impede, delay or interfere with any material proposed acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or other similar material transaction involving the Company, (B) after the advice of counsel, sale of Registrable Shares pursuant to the Registration Statement would require disclosure of non-public material information not otherwise required to be disclosed under applicable law, and (C) disclosure would have a material adverse effect on the Company or the Company's ability to consummate such transaction in each case under circumstances that would make it impractical or inadvisable to cause the Registration Statement (or such filings) to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis, as applicable; or (ii) the majority of the independent members of the Board of Directors of the Company shall have determined in good faith, after the advice of counsel, that it is required by law, rule or regulation to supplement the Registration Statement or file a post-effective amendment to the Registration Statement in order to incorporate information, into the Registration Statement for the purpose of (1) including in the Registration Statement any Prospectus required under Section 10(a)(3) of the Securities Act; (2) reflecting in the Prospectus included in the Registration Statement any facts or events arising after the effective date of the Registration Statement (or of the most-recent post-effective amendment) that, individually or in the aggregate, represents a fundamental change in the information set forth therein; or (3) including in the Prospectus included in the Registration Statement any material information with respect to the plan of distribution not disclosed in the Registration Statement or any material change to such information. Upon the occurrence of any such suspension, the Company shall use its reasonable best efforts to cause the Registration Statement to become effective or to promptly amend or supplement the Registration Statement on a post-effective basis or to take such action as is necessary to permit resumed use of the Registration Statement as soon as possible.

(b) In the case of an event that causes the Company to suspend the use of a Registration Statement (a "Suspension Event"), the Company shall give written notice (a "Suspension Notice") to the Holders to suspend sales of the Registrable Shares and such notice shall state generally the basis for the notice and certify, by an officer of the Company, that such suspension shall continue only for so long as the Suspension Event or its effect is continuing and the Company is using its reasonable best efforts and taking all reasonable steps to terminate suspension of the use of the Registration Statement as promptly as possible. The Holders shall not effect any sales of the Registrable Shares pursuant to such Registration Statement (or such filings) at any time after receiving a Suspension Notice from the Company and prior to receipt of an End of Suspension Notice (as defined below). If so directed by the Company, each Holder will deliver to the Company (at the expense of the Company) all copies other than permanent file copies then in such Holder's possession of the Prospectus covering the Registrable Shares at the time of receipt of the Suspension Notice. The Holders may recommence effecting sales of the Registrable Shares pursuant to the Registration Statement (or such filings) following further notice to such effect (an "End of Suspension Notice") from the Company, which End of Suspension Notice shall be given by the Company to the Holders and FBR in the manner described above promptly following the conclusion of any Suspension Event and its effect.

6. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless (i) FBR and each Holder, (ii) each Person, if any, who controls (within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act), any of the foregoing (any of the Persons referred to in this clause (ii) being hereinafter referred to as a "Controlling Person"), and (iii) the respective officers, directors, partners, members, managers, employees, representatives and agents of FBR and each Holder or any Controlling Person (any Person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as a "Purchaser Indemnitee") from and against any and all losses, damages, judgments, Proceedings, reasonable out-of- pocket expenses, and other liabilities (collectively, the "Liabilities"), including, without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any Proceeding by any governmental agency or body, commenced or threatened, including to the extent hereinafter provided, the reasonable fees and expenses of outside counsel to any Purchaser Indemnitee, joint or several, directly or indirectly related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (as amended or supplemented if the Company shall have promptly furnished to such Purchaser Indemnitee any amendments or supplements thereto), or any preliminary Prospectus or any other document prepared by the Company used to sell the Registrable Shares, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent such Liabilities arise out of or are based upon (i) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information relating to any Purchaser Indemnitee furnished to the Company or any underwriter in writing by such Purchaser Indemnitee expressly for use therein, or (ii) any untrue statement contained in or omission from a preliminary

Prospectus if a copy of the Prospectus (as then amended or supplemented, if the Company shall have promptly furnished to or on behalf of the Holder participating in the distribution relating to the relevant Registration Statement any amendments or supplements thereto) was not sent or given by or on behalf of such Holder to the Person asserting any such Liabilities who purchased Shares, if such Prospectus (or Prospectus as amended or supplemented) is required by law to be sent or given at or prior to the written confirmation of the sale of such Shares to such Person and the untrue statement contained in or omission from such preliminary Prospectus was corrected in the Prospectus (or the Prospectus as amended or supplemented if the Company shall have promptly furnished any amendments or supplements thereto). The indemnity provided for herein shall remain in full force and effect regardless of any investigation made by or on behalf of any Purchaser Indemnitee.

(b) In connection with any Registration Statement in which a Holder is participating and as a condition to such participation, such Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, each Person who controls the Company within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act and the respective partners, directors, officers, members, representatives, employees and agents of the Company and each such Person to the same extent as the foregoing indemnity from the Company to each Purchaser Indemnitee, but only with reference to untrue statements or omissions or alleged untrue statements or omissions made in reliance upon and in strict conformity with information relating to such Purchaser Indemnitee furnished to the Company in writing by such Purchaser Indemnitee expressly for use in any Registration Statement or Prospectus, any amendment or supplement thereto, or any preliminary Prospectus. The liability of any Purchaser Indemnitee pursuant to this paragraph shall in no event exceed the net proceeds received by such Purchaser Indemnitee from sales of Registrable Shares giving rise to such obligations.

(c) If any Proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Person in respect of which indemnity may be sought pursuant to paragraph (a) or (b) above, such Person (the "Indemnified Party," or if more than one Indemnified Party, the "Indemnified Parties"), shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party"), in writing of the commencement thereof (but the failure to so notify an Indemnifying Party shall not relieve it from any liability which it may have under this Section 6, except to the extent the Indemnifying Party is actually and materially prejudiced by the failure to give notice), and the Indemnifying Party, shall assume the defense of such Proceeding and retain counsel chosen by the Indemnifying Party and approved by the Indemnified Party, which approval shall not be unreasonably withheld, to represent the Indemnified Party and any others the Indemnifying Party may reasonably designate in such Proceeding and shall pay the reasonable fees and expenses actually incurred by such counsel related to such Proceeding. Notwithstanding the foregoing, in any such Proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party, unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed in writing to the contrary, (ii) the Indemnifying Party failed within a reasonable time after notice of commencement of the Proceeding to assume the defense and engage counsel approved by the Indemnified Party as hereinabove provided, (iii) the Indemnifying Party and its counsel do not pursue in a reasonable manner the defense of such Proceeding, (iv) such Indemnified Party shall have been reasonably advised by counsel that, either (x) there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party or such affiliate of the Indemnifying Party or (y) a conflict exists between such Indemnified Party and the Indemnifying Party or such affiliate of the Indemnifying Party, then the Indemnifying Party shall not have the right to assume nor direct the defense of such Proceeding on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such Proceeding or separate but substantially similar or related Proceedings arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one (1) separate firm of attorneys (in addition to any local counsel), for all such Indemnified Parties, which firm shall be designated in writing by those Indemnified Parties who sold a majority of Registrable Shares sold by all such Indemnified Parties (excluding Registrable Shares sold by the Company at its Affiliates) and any such separate firm for the Company, the directors, the officers and such control Persons of the Company as shall be designated in writing by the Company. The Indemnifying Party shall not be liable for any settlement of any Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify any Indemnified Party from and against any loss or liability resulting from such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened Proceeding in respect of which any Indemnified Party is a party or the subject thereof and indemnity could have been sought hereunder by such Indemnified Party, unless (i) such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding in a form satisfactory to the Indemnified Party and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of the Indemnified Party.

(d) If the indemnification provided for in paragraphs (a) and (b) of this Section 6 is for any reason held to be unavailable to an Indemnified Party in respect of any Liabilities referred to therein (other than by reason of the exceptions provided therein) or is insufficient to hold harmless a party indemnified thereunder, then each Indemnifying Party under such paragraphs, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Parties and the Indemnified Party, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and any Purchaser Indemnitees, on the other, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by such Purchaser Indemnitees and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The parties agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if such Indemnified Parties were treated as one entity for such purpose), or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph 6(d) above. The amount paid or payable by an Indemnified Party as a result of any Liabilities referred to paragraph 6(d) shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other expenses actually incurred by such Indemnified Party in connection with investigating or defending any such Proceeding, Notwithstanding the provisions of this Section 6, in no event shall a Purchaser Indemnitee be required to contribute any amount in excess of the amount by which proceeds (net of any discounts or commissions) received by such Purchaser Indemnitee from sales of Registrable Shares exceeds the amount of any damages that such Purchaser Indemnitee has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. For purposes of this Section 6, each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) FBR or a Holder shall have the same rights to contribution as FBR or such Holder, as the case may be, and each Person, if any, who controls (within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act) the Company, and each officer, director, partner, employee, representative, agent or manager of the Company shall have the same rights to contribution as the Company. Any party entitled to contribution will, promptly after receipt of notice of commencement of any Proceeding against such party in respect of which a claim for contribution may be made against another party or parties, notify each party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have under this Section 6 or otherwise, except to the extent that any party is actually and materially prejudiced by the failure to give notice. No Person guilty of fraudulent misrepresentation (within the meaning of Section 1l(f) of the Securities Act), shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 6 will be in addition to any liability which the Indemnifying Parties may otherwise have to the Indemnified Parties referred to above. The Purchaser Indemnitee's obligations to contribute pursuant to this Section 6 are several in proportion to the respective number of Shares sold by each of the Purchaser Indemnitees hereunder and not joint.

7. Market Stand-off Agreement.

Each Holder hereby agrees that it shall not, to the extent requested in writing by the Company or an underwriter of securities of the Company, directly or indirectly sell, offer to sell (including without limitation any short sale), grant any option or otherwise transfer or dispose of any Registrable Shares or other shares of Common Stock of the Company or any securities convertible into or exchangeable or exercisable for shares of Common Stock of the Company then owned by such Holder (other than to donees or partners of the Holder who agree to be similarly bound) within sixty (60) days following either (x) the effective date of the IPO Registration Statement of the Company filed under the Securities Act or (y) the date of an Underwritten Offering by the Company pursuant to a shelf registration statement of the Company filed under the Securities Act; provided, however, that:

(a) with respect to the up to 60-day restriction that follows the effective date of the IPO Registration Statement, such agreement shall not be applicable to Registrable Shares sold pursuant to such IPO Registration Statement;

(b) all executive officers and directors of the Company then holding shares of Common Stock or securities convertible into or exchangeable or exercisable for shares of

Common Stock of the Company shall enter into similar agreements for not less than the entire time period required of the Holders hereunder; and

(c) the Holders shall be allowed any concession or proportionate release allowed to any executive officer or director that entered into similar agreements.

In order to enforce the foregoing covenant, the Company shall have the right to place restrictive legends on the certificates representing the securities subject to this Section 7 and to impose stop transfer instructions with respect to the Registrable Shares and such other securities of each Holder (and the securities of every other Person subject to the foregoing restriction) until the end of such period.

8. Termination of the Company's Obligations.

The Company shall have no further obligations pursuant to this Agreement at such time as no Registrable Shares are outstanding, provided, however, that the Company's obligations under Sections 6 and 10(a) through and including 10(m) of this Agreement shall remain in full force and effect following such time.

9. Limitations on Subsequent Registration Rights.

From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders (other than Affiliates of the Company) of a majority of the then outstanding Registrable Shares, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder to include such securities in the IPO Registration Statement, if any, filed pursuant to the terms hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of Registrable Shares of the Holders that is included.

10. Miscellaneous.

(a) Remedies. If (i) the Company does not initially file the Mandatory Shelf Registration Statement with the Commission within nine months from the date hereof or does not file a Subsequent Shelf Registration Statement within the prescribed sixty (60) day period set forth in Section 2(c), (ii) the Company fails to comply with its obligations set forth in Sections 2 and 4 to file, when and as required, any documents or other materials necessary to effect, or maintain the effectiveness of, any Shelf Registration Statement or (iii) the Board of Directors of the Company determines to direct, or the Holders are otherwise required, to suspend sales of Registrable Shares under any effective Registration Statement for more than ninety (90) days during any rolling twelve (12) month period commencing on the Closing Time, for more than sixty (60) days during any rolling ninety (90) day period or more than three (3) separate times in any rolling 12 month period, then the Company hereby agrees and acknowledges that each Holder of the Registrable Shares will be entitled as the sole and exclusive remedy for any and all concurrent breaches of this Agreement related to one or more concurrent such failures or excess periods of suspension, to liquidated and agreed upon damages payable cumulatively on each Registrable Share for each day of each such delay, failure to maintain effectiveness or excess period of suspension, as the case may be. Such liquidated damages shall be payable quarterly, in arrears within ten (10) days of the end of each fiscal quarter and shall accrue daily at a rate of (i) $0.25 per Registrable Share per annum (or $0.00069444 per day) during the first 90 days of the delay, failure to maintain effectiveness or excess suspension period, (ii) $0.50 per Registrable Share per annum (or $0.0013888 per day) during days 91 to 180 of the delay, failure to maintain effectiveness or excess suspension period, (iii) $0.75 per Registrable Share per annum (or $0.00208333 per day) during days 181 to 270 of the delay, failure to maintain effectiveness or excess suspension period, and (iv) $1.00 per Registrable Share per annum (or $0.00277777 per day) after the 270th day of the delay, failure to maintain effectiveness or excess suspension period. Liquidated damages will be computed on the basis of a 360-day year comprised of twelve 30-day months. Affiliates of the Company shall not be entitled to any liquidated damages with respect to Registrable Shares held by such Affiliates. The liquidated damages provisions set forth in this Section 10(a) shall not limit the remedies of any party hereto with respect to the breach of any provisions of this Agreement not addressed by this Section 10(a).

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, without the written consent of the Company and Holders beneficially owning not less than fifty percent (50%) of the then outstanding Registrable Shares; provided, however, that for purposes of this Agreement, Registrable Shares that are owned, directly or indirectly, by an Affiliate of the Company shall not be deemed to be outstanding. Notwithstanding the foregoing, a waiver or consent to or departure from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders may be given by such Holder, provided that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence.

(c) Notices. All notices and other communications, provided for or permitted hereunder shall be made in writing by delivered by facsimile (with receipt confirmed), overnight courier or registered or certified mail, return receipt requested, or by telegram

(i) if to a Holder, at the most current address given by the transfer agent and registrar of the Shares to the Company; and

(ii) if to the Company, at the offices of the Company at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242, Attention: Edward K. Aldag, Jr., President and Chief Executive Officer, (fax (205) 969-3756).

Receipt of any notice sent pursuant to this Agreement shall be deemed to occur five (5) days after mailing by the party giving such notice. The Company shall cause the transfer agent to use commercially reasonable efforts to maintain current addresses of the Holders.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto including the Holders. The Company agrees that the Holders shall be parties to the agreements made hereunder and shall be entitled to the benefits and subject to the obligations hereof. The

Company may assign its rights and obligations hereunder to any successor of the Company's business involving a transaction approved by the Company's stockholder in accordance with applicable law, or with the prior written consent of Holders (other than Affiliates of the Company) of a majority of the then outstanding Registrable Shares.

(e) Stock Legend. In addition to any other legend that may appear on the stock certificates evidencing the Registrable Shares, for so long as any Shares remain Registrable Shares each stock certificate evidencing such Registrable Shares shall contain a legend to the following effect: "THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO AND ENTITLED TO THE BENEFITS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT, DATED APRIL 7, 2004".

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF MARYLAND, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

(h) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties hereto that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(i) Entire Agreement. This Agreement, together with the Purchase Agreement, is intended by the parties hereto as a final expression of their agreement, and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein.

(j) Registrable Shares Held by the Company or its Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Shares is required hereunder, Registrable Shares held by the Company or its Affiliates shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Survival. This Agreement is intended to survive the consummation of the transactions contemplated by the Purchase Agreement. The indemnification and contribution obligations under Section 6 of this Agreement shall survive the termination of the Company's obligations under Section 2 of this Agreement.

(l) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the provisions of this Agreement. All references made in this Agreement to "Section" refer to such Section of this Agreement, unless expressly stated otherwise.

(m) Attorneys' Fees. In any Proceeding brought to enforce any provision of this Agreement, or where any provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, shall be entitled to recover its reasonable attorneys' fees in addition to any other available remedy.

[Signatures on the Following Page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ Edward K. Aldag, Jr.

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

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.

By: /s/ James R. Kleeblatt

James R. Kleeblatt
Senior Managing Director

EXHIBIT 10.47

PURCHASE, SALE AND LOAN AGREEMENT

BY AND AMONG

MPT OPERATING PARTNERSHIP, L.P.

MPT OF COVINGTON, L.L.C.

MPT OF DENHAM SPRINGS, LLC

(COLLECTIVELY, THE "PURCHASER PARTIES");

AND

COVINGTON HEALTHCARE PROPERTIES, L.L.C.,

DENHAM SPRINGS HEALTHCARE PROPERTIES, L.L.C.,

GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C.

GULF STATES LONG TERM ACUTE CARE OF DENHAM SPRINGS, L.L.C.

(COLLECTIVELY, THE "SELLER PARTIES")

DATED AS OF JUNE 9, 2005

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of June 9, 2005 by and among MPT OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("MPT"), MPT OF COVINGTON, LLC, a Delaware limited liability company (the "Covington Acquisition Sub"), MPT OF DENHAM SPRINGS, LLC, a Delaware limited liability company (the "Denham Springs Acquisition Sub") (Collectively, the "Acquisition Subs") (MPT, MPT Development and the Acquisition Sub being herein referred to, collectively, as the "Purchaser Parties"); and COVINGTON HEALTHCARE PROPERTIES, L.L.C., a Louisiana limited liability company ("Covington Seller"), DENHAM SPRINGS HEALTHCARE PROPERTIES, L.L.C., a Louisiana limited liability company ("Denham Springs Borrower"), GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C., a Louisiana limited liability company ("Covington Operator"), and GULF STATES LONG TERM ACUTE CARE OF DENHAM SPRINGS, L.L.C., a Louisiana limited liability company ("Denham Springs Operator") (collectively, the "Seller Parties").

WITNESSETH:

WHEREAS, Covington Operator is the operator of that certain general acute care hospital (the "Covington Hospital") facility located in the Covington, Louisiana area;

WHEREAS, Denham Springs Operator is the operator of that certain general acute care hospital (the "Denham Springs Hospital") (the Covington Hospital and the Denham Springs Hospital being herein referred to, collectively, as the "Hospitals") facility located in the Denham Springs, Louisiana area;

WHEREAS, subject to the terms and conditions hereinafter set forth, Covington Seller desires to sell, and the Covington Acquisition Sub desires to purchase, the Covington Real Property (as defined in Section 2.1(a)) and certain other assets associated or used in connection with the Covington Hospital, all on the terms and conditions set forth in this Agreement;

WHEREAS, subject to the terms and conditions hereinafter set forth, Denham Springs Borrower desires to borrow, and Denham Springs Acquisition Sub desires to lend, the sum of Six Million Dollars ($6,000,000) (the "Loan"), all on the terms and conditions set forth in this Agreement; and

WHEREAS, contemporaneously with the closing of the Covington purchase and sale, Covington Operator shall lease back the Covington Real Property from the Acquisition Sub pursuant to a lease in the form of Exhibit A (the "Lease").

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINED TERMS

SECTION 1.1. CERTAIN DEFINED TERMS. Capitalized terms used herein shall have the respective meanings ascribed to them in this Section 1.1.

"Acquisition Subs" shall have the meaning set forth in the preamble to this Agreement.

"Affiliate" "means, with respect to any Person (i) any Person that, directly or indirectly, controls or is controlled by or is under common control with such Person, (ii) any other Person that owns, beneficially, directly or indirectly, 10% or more of the outstanding capital stock, shares or equity interests of such Person, or (iii) any officer, director, employee, partner, member, manager or trustee of such Person or any Person controlling, controlled by or under common control with such Person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such Person). For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities or otherwise.

"Assets" shall mean the Covington Assets, as well as those certain tracts of land consisting of approximately Seven and 93/100 (7.93) acres located in Denham Springs, Louisiana the legal descriptions of which are set forth on Exhibit D attached hereto (the "Denham Springs Land") (the Covington Land and the Denham Springs Land being herein referred to, collectively, as the "Land") and all Improvements located thereon ("Denham Springs Real Property") (the Covington Real Property and the Denham Springs Real Property being herein referred to, collectively, as the "Real Property");

"Assumed Liabilities" shall have the meaning set forth in Section 2.2 hereof.

"Balance Sheet" shall have the meaning set forth in Section 4.5 hereof.

"Balance Sheet Date" shall have the meaning set forth in Section 4.5 hereof.

"Business or Businesses" means the operation of the Hospitals and the engagement in and pursuit and conduct of any business venture or activity related thereto or related to the provision of "physician admit" services at the Covington and/or Denham Springs Real Property.

"Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

"Business Employees" shall have the meaning set forth in Section 4.22(a) hereof.

"CMS" means the Centers for Medicare and Medicaid Services.

"Claim" shall have the meaning set forth in Section 4.19 hereof.

"Closing" shall have the meaning set forth in Section 9.1 hereof.

"Closing Date" shall have the meaning set forth in Section 9.1 hereof.

"Code" means the United States Internal Revenue Code of 1986, as amended through the date hereof, and all regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Confidentiality Agreement" shall have the meaning set forth in Section 7.2(c) hereof.

"Contracts" shall have the meaning set forth in Section 4.20 hereof.

"Covington Acquisition Sub" shall have the meaning set forth in the preamble to this Agreement.

"Covington Appraisal" means that certain appraisal of the Covington Real Property in form and substance, and prepared by a Person, satisfactory to MPT in its sole discretion.

"Covington Appraised Value" means the fair market value of the Covington Real Property as set forth in the Covington Appraisal.

"Covington Assets" shall have the meaning set forth in Section 2.1 hereof.

"Covington Deed" shall have the meaning set forth in Section 9.2(b) hereof.

"Covington Hospital" shall have the meaning set forth in the recitals hereof.

"Covington Land" shall have the meaning set forth in Section 2.1(a) hereof.

"Covington Real Property" shall have the meaning set forth in Section 2.1 hereof.

"Covington Seller" shall have the meaning set forth in the preamble to this Agreement.

"Denham Springs Acquisition Sub" shall have the meaning set forth in the preamble to this Agreement.

"Denham Springs Appraisal" means that certain appraisal of the Covington Real Property in form and substance, and prepared by a Person, satisfactory to MPT in its sole discretion.

"Denham Springs Appraised Value" means the fair market value of the Denham Springs Real Property as set forth in the Denham Springs Appraisal.

"Denham Springs Borrower" shall have the meaning set forth in the preamble to this Agreement.

"Denham Springs Hospital" shall have the meaning set forth in the recitals hereof.

"Denham Springs Land" shall have the meaning set forth in the definition of "Assets" set forth above.

"Denham Springs Real Property" shall have the meaning set forth in the definition of "Assets" set forth above.

"Dispute" shall have the meaning set forth in Section 7.6 hereof.

"Environmental Claim" means any Claim, action, cause of action, investigation or notice (written or oral) by any Person alleging actual or potential liability for investigatory, cleanup or governmental response costs, or natural resources or property damages, or personal injuries, attorney's fees or penalties relating to (i) the presence, or release into the environment, of any Hazardous Materials at any location owned, leased or operated by any Seller Party, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Issues" shall mean those issues relating to the Denham Springs Real Property set forth in that certain report by Land America dated May 19, 2005.

"Environmental Law" means each federal, state, local and foreign law and regulation relating to pollution, protection or preservation of human health or the environment, including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources, and including each law and regulation relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacturing, processing, distribution, use, treatment, generation, storage, containment (whether above ground or underground), disposal, transport or handling of Hazardous Materials, or the preservation of the environment or mitigation of adverse effects thereon and each law and regulation with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials, including, without limitation, the Resource Conservation and Recovery Act of 1976, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder, in each case as amended from time to time.

"Equity Constituents" means, with respect to any Person, as applicable, the members, general or limited partners, shareholders, stockholders or other Persons, however designated, who are the owners of the issued and outstanding equity or ownership interests of such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exception Documents" means true, correct, current and legible copies of each document listed as an exception to title on the Title Commitment.

"Excluded Liabilities" shall have the meaning set forth in Section 2.2 hereof.

"Financial Statements" shall have the meaning set forth in Section 4.5 hereof.

"Fixtures" means all permanently affixed non-medical equipment, machinery, fixtures, and other items of real property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in vacuum, cable transmission, oxygen and similar systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

"GAAP" means United States generally accepted accounting principles as in effect from time to time. Any accounting term used herein and not specifically defined herein shall be construed in accordance with GAAP.

"Governing Documents" means, with respect to any Person, as applicable, such Person's charter, articles or certificate of incorporation, formation or organization, bylaws or other documents or instruments which establish and/or set forth the rules, procedures and rights with respect to such Person's governance, including, without limitation, any stockholders, limited liability company, operating or partnership agreement related to such Person, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

"Governmental Entity" means any national, federal, regional, state, local, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission of competent jurisdiction.

"Government Programs" shall have the meaning set forth in Section 4.10 hereof.

"Hazardous Materials" means any substance deemed hazardous under any Environmental Law, including, without limitation, asbestos or any substance containing asbestos, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, lead and lead-based paints, radon, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Environmental Law.

"Healthcare Fraud Laws" shall have the meaning set forth in Section 4.12(a) hereof.

"HIPAA" shall have the meaning set forth in Section 4.11 hereof.

"Hospitals" shall have the meaning set forth in the recitals to this Agreement.

"Improvements" means all buildings, improvements, structures and Fixtures now or on the Closing Date located on the Land, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called "infrastructure" improvements.

"Indebtedness" of any Person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of such Person: (i) in respect of borrowed money (whether secured or unsecured), (ii) under conditional sale or other title retention agreements relating to property or services purchased and/or sold by such Person, (iii) evidenced by bonds, notes, debentures or similar instruments, (iv) for the payment of money relating to a capitalized lease obligation, (v) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit, (vi) pursuant to any guarantee, or (vii) secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) a Lien on the assets or property of such Person, and (b) all liabilities and obligations of others of the kind described in the preceding clause (a) and otherwise that (i) such Person is responsible or liable for, directly or indirectly, as obligor, guarantor, surety or otherwise, or (ii) which are secured by a Lien on any of the assets or property of such Person.

"Indemnified Party" shall have the meaning set forth in Section 12.3(a) hereof.

"Indemnifying Party" shall have the meaning set forth in Section 12.3(a) hereof.

"Intangible Property" shall have the meaning set forth in Section 4.21 hereof.

"JCAHO" shall have the meaning set forth in Section 4.10 hereof.

"Knowledge," "to the knowledge or best knowledge of" or similar words or phrases means, with respect to any Person, such Person's actual or deemed knowledge of a particular fact or matter if (i) any of such Person's current or former officers or directors (or other Persons however denominated, exercising similar authority with respect to such Person) including, but not limited to, in the case of any Seller Party, S. Chris Herndon and Gregory M. Walker (a Person's "Knowledge Group"), has actual knowledge of such fact or matter; or (ii) any of such Person's Knowledge Group would be expected to discover or otherwise become aware of such fact or matter after conducting a reasonably diligent inquiry.

"Labor Proceeding" shall have the meaning set forth in Section 4.22(c) hereof.

"Land" shall have the meaning set forth in the definition of "Assets" set forth above.

"Law" means any federal, state or local statute, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Entity or otherwise, including, without limitation, any judicial or administrative order, consent, decree or judgment.

"Lease" shall have the meaning set forth in the recitals to this Agreement.

"Lien" means any mortgage, adverse Claim, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, lien (statutory or otherwise) or preference, security interest or other encumbrance of any kind or nature whatsoever.

"Loan" shall have the meaning set forth in the recitals hereof.

"Loan Documents" shall have the meaning set forth in Section 9.2(p) hereof.

"Material Adverse Effect" means any change, event(s), occurrence(s) or effect(s), whether direct or indirect, that, both before and after giving effect to the transactions contemplated by this Agreement, could, individually or in the aggregate, have a material adverse effect on (i) the business, properties, results of operations, assets, revenue, income or condition (financial or otherwise) of, or the ability to timely satisfy the obligations or liabilities (whether absolute or contingent) of, any Seller Party, (ii) the Business or the Assets, or (iii) the ability of any Seller Party to perform its obligations under, and/or consummate the transactions contemplated by, this Agreement within the time periods specified herein.

"Medicaid" shall have the meaning set forth in Section 4.10 hereof.

"Medicare" shall have the meaning set forth in Section 4.10 hereof.

"Minimum Aggregate Liability Amount" shall have the meaning set forth in Section 12.1(b) hereof.

"Permitted Encumbrances" means (i) Liens for or arising from current taxes not yet due and payable; (ii) easements and other restrictions of record; (iii) matters set forth in the Title Commitment issued by the Title Company; (iv) matters disclosed on the Survey; and (v) other matters, encumbrances and defects approved by MPT in writing.

"Permits" shall have the meaning set forth in Section 4.9 hereof.

"Person" means an individual, a corporation, a limited liability company, a partnership, an unincorporated association, a joint venture, a Governmental Entity or another entity or group.

"Personal Property" shall have the meaning set forth in Section 4.16 hereof.

"Personal Property Leases" shall have the meaning set forth in Section 4.16 hereof.

"Physician" means any physician rendering services, within, at or on either Hospital or its premises within the five (5) year period ending on the date of this Agreement.

"Public Taking" shall have the meaning set forth in Section 4.16(e) hereof.

"Purchase Price" shall have the meaning set forth in Section 3.1 hereof.

"Purchaser Damages" shall have the meaning set forth in Section 12.1(a) hereof.

"Purchaser Parties" shall have the meaning set forth in the preamble to this Agreement.

"Purchaser Indemnified Party" shall have the meaning set forth in Section 12.1(a).

"Purchaser's Indemnity Periods" shall have the meaning set forth in Section 12.1(b) hereof.

"Real Property" shall have the meaning set forth in the definition of "Assets" set forth above.

"Search Reports" means reports of searches made of the uniform commercial code records of the county in which the Real Property is located, and of the office of the secretary of state of the state in which the Real Property is located and in the state in which the principal office of each Seller Party is located.

"Seller Damages" shall have the meaning set forth in Section 12.2(a) hereof.

"Seller Indemnified Parties" shall have the meaning set forth in Section 12.2(a) hereof.

"Seller Indemnity Period" shall have the meaning set forth in Section 12.2(b) hereof.

"Seller Party Instruments" shall have the meaning set forth in Section 4.2 hereof.

"Seller Parties" shall have the meaning set forth in the preamble to this Agreement.

"Seller Party Plan" shall have the meaning set forth in Section 4.22(f) hereof.

"Sentinel Events" shall have the meaning set forth in Section 4.10 hereof.

"Service Provider" means any Person who has rendered or is rendering services to or on behalf of any of the Seller Parties.

"Special Purpose Entity" means an entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Covington Real Property or the Denham Springs Real Property and conducting the operation of the respective Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing all or any portion of the Real Property and the operation of the respective Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest which it owns in the Covington Real Property or the Denham Springs Real Property and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by the Lease or arising in the ordinary course of the respective Business and does not guarantee or otherwise obligate itself with respect to the debts of any other Person other than as approved by MPT, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out as being a company separate and apart from any other entity, (viii) maintains all corporate formalities independent of any other entity.

"Survey" means a current "as-built" ALTA survey, certified to ALTA requirements, prepared by an engineer or surveyor licensed in the state in which the Real Property is located acceptable to MPT in its sole discretion, which shall be prepared in accordance with the provisions set forth in Section 6.1 of this Agreement.

"Taxes" means any and all taxes, charges, fees, levies or other assessments, including, without limitation, any and all income, gross receipts, excise, real and personal property (including leaseholds and interests in leaseholds), sales, use, occupation, transfer, license, ad valorem, gains, profits, gift, minimum estimated, social security, unemployment, disability, premium, recapture, credit, payroll, withholding, severance, stamp, capital stock, value added leasing, franchise and other taxes or similar charges of any kind including any interest and penalties on or additions thereto or attributable to any failure to comply with any requirement regarding any Tax Return.

"Tax Return" means any return, declaration, filing, report, claim for refund or information return or other statement relating to Taxes (whether filed with or submitted to, or required to be filed with or submitted to, any Governmental Entity), including any schedule or attachment thereto, and including any amendment or extension thereof.

"Tax Structure" shall have the meaning set forth in Section 7.2(c) hereof.

"Tax Treatment" shall have the meaning set forth in Section 7.2(c) hereof.

"Tenant" means the lessees or tenants under the Tenant Leases, if any.

"Tenant Leases" shall have the meaning set forth in Section 4.15(i) hereof.

"Third Party Claim" shall have the meaning set forth in Section 12.3(a) hereof.

"Title Commitment" means a current commitment issued by the Title Company to the Purchaser Parties pursuant to the terms of which the Title Company shall commit to issue the Title Policy to the Purchaser Parties in accordance with the provisions of this Agreement, and reflecting all matters which would be listed as exceptions to coverage on the Title Policy.

"Title Company" means the national service office of a title insurance company licensed in the state in which the Real Property is located and selected by MPT in its sole discretion.

"Title Policy" means a title insurance policy in form and substance satisfactory to MPT in its sole discretion.

"Warranties" means all warranties, representations and guaranties with respect to any of the Assets, whether express or implied, which any Seller Party now holds or under which any Seller Party is the beneficiary.

SECTION 1.2. INTERPRETATION; TERMS GENERALLY. The definitions set forth in Section 1.1 and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless otherwise indicated, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein", "hereof" and "hereunder" and words of similar import shall be deemed to refer to this Agreement (including the Schedules and Exhibits) in its entirety and not to any part hereof, unless the context shall otherwise require. All references herein to Articles, Sections, Schedules and Exhibits shall be deemed to refer to Articles, Sections and Schedules of, and Exhibits to, this Agreement, unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes or regulations). Any reference in this Agreement to a "day" or number of "days" that does not refer explicitly to a "Business Day" or "Business Days" shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day.

ARTICLE II
PURCHASE AND SALE OF ASSETS, LOAN, ASSUMPTION OF LIABILITIES

SECTION 2.1. PURCHASE AND SALE OF COVINGTON ASSETS. Based upon the representations and warranties of the Seller Parties as set forth herein, and subject to the terms and conditions hereof, at the Closing, Covington Seller, in consideration for the payment of the Purchase Price in accordance with Section 3.1, shall grant, sell, assign, transfer, convey and deliver to Acquisition Sub, and Acquisition Sub shall purchase and acquire from Covington Seller, free and clear of all Liens, other than Permitted Encumbrances, the following assets of Covington Operator (the "Covington Assets"):

(a) those certain tracts of land consisting of approximately Seven and 07/100 (7.07) acres located in Covington, Louisiana the legal descriptions of which are set forth on Exhibit C attached hereto (the "Covington Land") and all Improvements located thereon (the `Covington Real Property");

(b) to the extent assignable, all rights in all intangible property relating exclusively to the Covington Real Property, including, but limited to, zoning rights, Permits (other than operating permits) and indemnification or similar rights and all Warranties affecting or inuring to the benefit of the Covington Real Property or the owner thereof (including, without limitation, any indemnification or similar rights and Warranties related to the Covington Real Property);

(c) all of the Seller Parties' right, title and interest in and to site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Covington Real Property and the Improvements; and

(d) all of the Seller Parties' right, title and interest in and to all causes of action, claims and rights in litigation (or which could result in litigation against any party) pertaining or relating to the Covington Real Property (including, without limitation, any causes of action, claims or rights in litigation or other rights related to or arising under any purchase contracts respecting the Covington Real Property).

SECTION 2.2. DENHAM SPRINGS LOAN. Based upon the representations and warranties of the Seller Parties as set forth herein, and subject to the terms and conditions hereof, at the Closing, Denham Springs Acquisition Sub shall loan to Denham Springs Borrower the sum of Six Million and No/100 Dollars ($6,000,000.00), Five Hundred Thousand and No/100 Dollars ($500,000.00) of which is being deposited in escrow by Denham Springs Borrower as provided in the Loan Documents.

SECTION 2.3. EXCLUDED LIABILITIES. Notwithstanding anything in this Agreement to the contrary, except as set forth on Schedule 2.3 (the "Assumed Liabilities"), no Purchaser Party shall assume or agree to pay, satisfy, discharge or perform, or shall be deemed by virtue of the execution and delivery of this Agreement or any other document delivered at the Closing pursuant to this Agreement, or as a result of the consummation of the transactions contemplated by this Agreement or such other document, to have assumed, or to have agreed to pay, satisfy, discharge or perform, or shall be liable for, any liability, obligation, contract or Indebtedness of any Seller Party or any other Person, whether primary or secondary, direct or indirect, including, without limitation, any liability or obligation relating to the ownership, use or operation of any of the Assets or either Hospital prior to Closing, any liability or obligation arising out of or related to any breach, default, tort or similar act committed by any of the Seller Parties or for any failure of any of the Seller Parties to perform any covenant or obligation for or during any period prior to Closing (collectively, the "Excluded Liabilities").

SECTION 2.4. SPECIAL PURPOSE ENTITY. Seller Parties agree that the Covington Operator and the Denham Springs Operator shall each be a Special Purpose Entity at all times during the terms of the Leases and the Loan.

ARTICLE III
PURCHASE PRICE

SECTION 3.1. PURCHASE PRICE FOR COVINGTON. The purchase price for the Covington Assets shall be Eleven Million Five Hundred Thousand and No/100 Dollars ($11,500,000.00) (the "Covington Purchase Price"). Subject to the terms and conditions hereof, at Closing, the Acquisition Sub shall pay the Covington Purchase Price via transfer of immediately available federal funds to an account specified in writing by S. Chris Herndon not less than three (3) Business Days prior to the Closing Date.

SECTION 3.2. PURCHASE PRICE FOR DENHAM SPRINGS. Intentionally Deleted.

SECTION 3.3. TAXES, RENTALS, UTILITIES. The parties acknowledge that all utility charges and all real and personal property Taxes related to the Assets shall be the responsibility of the Covington Operator pursuant to the terms of the Lease and Denham Springs Operator pursuant to the terms of its lease with the Denham Springs Borrower.

SECTION 3.4. ALLOCATION OF PURCHASE PRICE. The Covington Purchase Price shall be allocated among the Covington Assets for purposes of Section 1060 of the Code as set forth on Schedule 3.4. The parties agree to use, and to not take any position which is inconsistent with, such allocation in the preparation and filing of any Tax Return (including Form 8594).

SECTION 3.5. COMMITMENT FEE. At Closing, the Seller Parties shall pay the Purchaser Parties a nonrefundable commitment fee equal to One Percent (1%) of sum of the Purchase Price and the amount of the Loan, reduced by Twenty-Five Thousand Dollars ($25,000) of previously-paid commitment fees.

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER PARTIES

With the understanding that the Purchaser Parties shall rely hereon, and as a material inducement to the Purchaser Parties to enter into this Agreement, the Lease and the Loan, each Seller Party hereby jointly and severally represents, warrants and covenants to the Purchaser Parties as of the date hereof and as of the Closing Date as follows:

SECTION 4.1. ORGANIZATION. Each Seller Party is a limited liability company duly organized, validly existing and in good standing under the laws of its state of organization and is duly licensed in each jurisdiction in which the nature of the business conducted, or the assets owned, operated and/or leased, by such Seller Party requires or makes such qualification necessary. Covington Operator and Denham Springs Operator are, and have at all times since their organization been, Special Purpose Entities. Schedule 4.1 sets forth the ownership of each Seller Party and, except as set forth therein, no other party has any equity interest in any Seller Party or any option, warrant or other right to acquire same.

SECTION 4.2. AUTHORIZATION AND ENFORCEABILITY. Each Seller Party has the requisite corporate or limited liability company power and authority to conduct its business as it is now being conducted and as proposed to be conducted and to execute, deliver and carry out the terms of this Agreement, together with all documents and agreements necessary to give effect to the provisions of this Agreement, including the Lease and the Loan, and to consummate the transactions contemplated hereby and thereby. All limited liability company actions required to be taken by each Seller Party (including, without limitation, all necessary actions by the board of directors, managers and Equity Constituents of such Seller Party) to authorize the execution, delivery and performance of this Agreement as well as all documents, agreements and instruments executed by such Seller Party which are necessary to give effect to this Agreement (collectively, the "Seller Party Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and compliance with, as applicable, such Seller Party's Governing Documents. Each Seller Party has heretofore delivered to the Purchaser Parties true, correct and complete copies of such Seller Party's Governing Documents. No other action on the part of any Seller Party is necessary to authorize the execution, delivery and performance of this Agreement, the Seller Party Instruments and all transactions contemplated hereby and thereby. This Agreement, the Seller Party Instruments and all agreements to which any Seller Party will become a party hereunder, including the Lease and the Loan, are and will constitute the valid and legally binding obligations of such Seller Party, and are and will be enforceable against such Seller Party in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 4.3. ABSENCE OF CONFLICTS. Each Seller Party's execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of such Seller Party's Governing Documents; (ii) violate any provision of any Law to which such Seller Party is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to such Seller Party; (iv) result in or cause the creation of a Lien on any of the Assets; or (v) except as disclosed on Schedule 4.3, result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any indenture, mortgage, deed of trust, contract, agreement or other instrument to which such Seller Party is a party or by which such Seller Party or any of the assets is bound.

SECTION 4.4. CONSENTS AND APPROVALS. Except as set forth on Schedule 4.4, no license, permit, qualification, order, consent, authorization, approval or waiver of, or registration, declaration or filing with, or notification to, any Governmental Entity or other Person is required to be made or obtained by or with respect to any Seller Party in connection with the execution, delivery and performance of this Agreement or the Seller Party Instruments by any Seller Party or the consummation of the transactions contemplated hereby or thereby.

SECTION 4.5. FINANCIAL STATEMENTS. Schedule 4.5 sets forth (i) the unaudited balance sheets of each applicable Seller Party for the fiscal year ended 2004, (ii) the unaudited balance sheet of each Seller Party at April 30, 2005 (the "Balance Sheet Date") (the balance sheets described in subsections (i) and (ii) above being herein referred to, collectively, as the "Balance Sheets"), (iii) the unaudited statement of income and cash flows of each applicable Seller Party for the fiscal year ended 2004 and (iv) the unaudited statement of income of each Seller Party for the three (3) month period ended April 30, 2005 (the financial statements described in this sentence, being herein referred to, collectively, as the "Financial Statements"). Except as set forth on Schedule 4.5, the Financial Statements have been prepared in accordance with GAAP, are based on the books, records and accounts of the Seller Parties and fairly present the financial condition and results of operations, cash flows and shareholders' equity of the Seller Parties as of the respective dates thereof and for the respective periods indicated therein, except (i) that the unaudited interim statements do not include complete note (including footnote) disclosure as required by GAAP; and (ii) that the unaudited interim statements are subject to normal, year-end adjustments which are not, and will not be, material in amount or effect, either individually or in the aggregate.

SECTION 4.6. ACCOUNTS RECEIVABLE. The accounts receivable of each Seller Party include only accounts receivable arising from bona fide transactions in the conduct of the ordinary course of business of such Seller Party, are in all material respects true and genuine, represent legal, valid and binding obligations of the respective debtors enforceable in accordance with their terms and are collectible net of reserves. No material payment of said receivables is contingent upon performance of any obligations or contract, past or future, and, except as set forth on Schedule 4.6, all such receivables are free of all security interests and encumbrances created by any Seller Party. Except as set forth on Schedule 4.6, no defense, counterclaim, offset or adjustment exists as to any such account receivable.

SECTION 4.7. NO UNDISCLOSED LIABILITIES. Except as set forth on Schedule 4.7, no Seller Party has any material liability or obligation, whether absolute, accrued, contingent or otherwise, including any potential future liability arising out of acts or omissions which have already occurred, which is not fully and accurately reflected or reserved against in the Balance Sheets except for liabilities or obligations that may have arisen in the ordinary course of business of the Seller Parties, consistent with the past practice of the Seller Parties, since the Balance Sheet Date (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement or violation of law) and no Seller Party has Knowledge of any fact, condition or circumstance which could form the basis of any such liability or obligation.

SECTION 4.8. ABSENCE OF CHANGES. Except as set forth on Schedule 4.8, since the Balance Sheet Date, each Seller Party has, as applicable:

(a) conducted its business only in the ordinary course of business and consistently with its past practices;

(b) not suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect;

(c) preserved its legal existence and retained its business organization intact;

(d) maintained its relationships with all suppliers, trade creditors and trade debtors;

(e) paid or satisfied all of its debts, liabilities or obligations in the ordinary course of business;

(f) paid all compensation and other obligations to its employees when the same were due and payable;

(g) timely made all applicable filings with Governmental Entities;

(h) not mortgaged, pledged, subjected to Lien, charged, encumbered or granted a security interest in or to any of the Assets;

(i) except as otherwise provided in this Agreement, not sold or transferred any of its assets except for sales of inventory in the ordinary course of business and consistently with its past practices;

(j) not suffered any damage, destruction or loss (whether or not covered by insurance) affecting the Assets;

(k) not cancelled any debts owing to it or otherwise granted or waived any right of substantial value;

(l) not terminated or materially modified any contract, lease, agreement or arrangement with any payor, vendor or supplier or received notice of termination or become aware of any threat of termination with respect to any such contract, lease, agreement or arrangement;

(m) not made any capital expenditure or commitment for the acquisition of assets in excess of Fifty Thousand Dollars ($50,000) except as disclosed on Schedule 4.8(m);

(n) not made or suffered any change to its Governing Documents except as disclosed on Schedule 4.8(n);

(o) not made or received any loans or advances to or from any Person, other than renewals or extensions of existing indebtedness and uses of lines of credit;

(p) maintained its books and records in accordance with GAAP, consistent with past practices;

(q) not incurred, assumed or guaranteed any Indebtedness;

(r) not experienced any defections in its medical staff; or

(s) not agreed or offered, whether in writing or otherwise, to take, and neither any Seller Party nor its board of directors (or by any Person or group of Persons possessing and/or exercising similar authority with respect to such Seller Party) have authorized the taking of, any action described in Sections 4.8(a) through 4.8(r) above.

SECTION 4.9. LICENSES. Seller Parties have all licenses, permits, certificates of need and other authorizations of Government Entities (the "Permits") from all applicable Governmental Entities necessary or proper in order to operate their respective Hospitals and to conduct their respective Businesses. All Permits issued to and held by the Seller Parties are identified and described on Schedule 4.9, and true, correct and current copies of each such Permit have previously been delivered to the Purchaser Parties by the Seller Parties. Except as set forth on Schedule 4.9, the Seller Parties previously have complied and are currently complying with their respective obligations under each of the Permits and all such Permits are in full force and effect. No written notice from any authority in respect to the threatened, pending or possible revocation, termination, suspension or limitation of any of the Permits has been issued or given to any Seller Party and no Seller Party has any Knowledge of the proposed or threatened issuance of any such notice or of any grounds or basis therefor.

SECTION 4.10. ACCREDITATION; MEDICARE AND MEDICAID; THIRD PARTY PAYORS. Covington Operator and Denham Springs Operator are currently accredited by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") and Seller Parties have previously delivered to the Purchaser Parties true, correct and complete copies of the following documents: (i) the most recent JCAHO accreditation survey reports for each Hospital and deficiency list and plan of correction, if any, and a list and description of events at each Hospital since the date of the acquisition of each Hospital by the respective Seller Party that constitute "Sentinel Events" (as defined by JCAHO), if any, and any documentation that was created prepared and/or produced by or on behalf of any Seller Party to satisfy JCAHO requirements relating to addressing such Adverse Events; (ii) any state licensing survey reports with respect to each Hospital since the date of the acquisition of each Hospital by the respective Seller Party, as well as any statements of deficiencies and plans of correction in connection with such reports; (iii) the fire marshal's surveys since the date of the acquisition of each Hospital by the respective Seller Party and list of deficiencies, if any, for each Hospital; and (iv) the boiler inspection reports since the date of the acquisition of each Hospital by the respective Seller Party and list of deficiencies, if any, for each Hospital. Seller Parties have taken all reasonable steps to correct all such deficiencies and a description of any uncorrected deficiency is set forth on Schedule 4.10. Except as set forth on Schedule 4.10 attached hereto, Covington Operator and Denham Springs Operator participate without restriction under Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medicaid"), the Medicare and the Medicaid programs of the State of Louisiana and the TRICARE/CHAMPUS programs (collectively, the "Government Programs"). Covington Operator and Denham Springs Operator have received Medicare or Medicaid reimbursement with respect to each Hospital and are eligible to receive payment without restriction under Medicare and Medicaid. Except as set forth on Schedule 4.10, each Hospital is in compliance with the conditions of participation for the Government Programs, has received all approvals or qualifications necessary for capital reimbursement and has been found by CMS to be in compliance with 42 C.F.R. Sections 489.20 and

489.24, Sections 412.505 to 412, 511, and the applicable provisions of Section 412.23, and its medicare provider agreement will not be terminated for failure to so comply. Except as set forth on Schedule 4.10, there is no pending, nor, to the best of the Seller Parties' Knowledge, threatened, proceeding or investigation under the Government Programs involving any Seller Party, either Hospital or any of the Assets. Covington Operator and Denham Springs Operator have previously delivered to the Purchaser Parties true, correct and complete copies of the most recent Medicare and Medicaid certification survey reports for each Hospital including any statements of deficiencies and plans of correction, and the corrective action plans related thereto. Covington Operator and Denham Springs Operator have taken all reasonable steps to correct all such deficiencies and a description of any uncorrected deficiency is set forth on Schedule 4.10. With respect to the operation of each Hospital, except as set forth on Schedule 4.10, none of the Seller Parties, nor any of their officers, directors or any of the Business Employees (as hereinafter defined), or Service Provider (i) has been excluded, suspended or debarred from, or otherwise adjudicated, deemed or determined ineligible for, participation in any Government Program, including Medicare or Medicaid, (ii) has been convicted of a criminal offense related to conduct that would trigger an exclusion from any Government Program, (iii) committed any act or omission which could result in, or form the basis of, any of the actions described in clauses (i) or (ii) of this sentence; and (v) no Medicare funds will be used to make any payment for any items or services furnished by any excluded individual. Covington Operator and Denham Springs Operator have timely filed, caused to be timely filed and, as to reports due after the Closing, shall timely file, all cost reports required by third party payors, including, but not limited to, Government Programs and other insurance carriers, and, except as disclosed on Schedule 4.10 all such reports are or will be complete and accurate when filed. Except as disclosed on Schedule 4.10, Covington Operator and Denham Springs Operator are and have been and, to the Seller Parties' Knowledge, its predecessors in interest in the Hospital have been, in compliance with filing requirements with respect to cost reports of each Hospital, including appropriate allocation of expenses associated with any management or consulting services provided by the Seller Parties (or its predecessors in interest) or any employees of the Seller Parties (or its predecessors in interest) and such reports do not claim and neither Hospital has received, payment or reimbursement in excess of the amount provided or allowed by applicable law or any applicable agreement, except where excess reimbursement was noted on the cost report. True and correct copies of the cost reports to third parties for each Hospital since the date of the acquisition of each Hospital by the respective Seller Party with respect to which Covington Operator and Denham Springs Operator received such cost reports have been made available to the Purchaser Parties. Except as disclosed on Schedule 4.10, no Seller Party has received any written notice of any dispute relating to either Hospital between any Seller Party and any Governmental Entity, including any fiscal intermediary or carrier, federal, state or local governmental body or entity, or the Administrator of the Center for Medicare and Medicaid Services, with respect to any Government Program cost reports or claims filed with respect to the Hospital, on or before the date of this Agreement.

SECTION 4.11. HIPAA COMPLIANCE. Each Seller Party is in full compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Schedule 4.11 includes, but is not limited in any manner whatsoever to, any privacy, security or transaction and code set standards compliance plan of each Seller Party in place or in development, and any plans, analyses or budgets relating to information systems, including but not limited to necessary purchases, upgrades or modifications to effect HIPAA compliance.

SECTION 4.12. HEALTHCARE REGULATORY MATTERS.

(a) No Seller Party, or, to the Knowledge of any Seller Party, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with either of the Hospitals (i) is a party to, or has received notice of, the commencement of any investigation or debarment proceedings or any governmental investigation or action (including any civil investigative demand or subpoena) under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7, 7(a) and 7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 U.S.C. 1035), and Patient Inducement Statute and equivalent state statutes or any rule or regulation promulgated by a Governmental Entity with respect to any of the foregoing (collectively, the "Healthcare Fraud Laws") affecting any Seller Party, either Hospital or the Business of either Hospital (and no grounds for any such proceeding, investigation or action exist); and (ii) is not in full compliance with all applicable Healthcare Fraud Laws.

(b) Except as set forth on Schedule 4.12, since the date of the acquisition of each Hospital by the respective Seller Party, or, to the Seller Parties' Knowledge, for any period prior thereto, no Seller Party, or, to the Seller Parties' Knowledge, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with, either Hospital, has ever been investigated, charged or implicated in any violation of any state or federal statute or regulation involving false, fraudulent or abusive practices relating to participation in state or federally sponsored reimbursement programs, including, but not limited to, false or fraudulent billing practices. No Seller Party, or, to the Seller Parties' Knowledge, any Physician, Service Provider or other Person rendering services (including directly or indirectly referring patients) to or at, or in any way affiliated with, either of the Hospitals, has ever engaged in any of the following: (i) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any applications for any benefit or payment under Medicare or Medicaid program; (ii) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment under Medicare or Medicaid program; (iii) failing to disclose knowledge of any event affecting the initial or continued right to any benefit or payment under Medicare or Medicaid program on its own behalf or on behalf of another, with intent to secure such payment or benefit fraudulently; (iv) knowingly and willfully soliciting, paying, or receiving any remuneration (including kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (A) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (B) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid; (v) presenting or causing to be presented a claim for reimbursement for services that is for an item or service that was known or should have been known to be (A) not provided as claimed, or (B) false or fraudulent; or (vi) knowingly and willfully making or causing to be made or inducing or seeking to induce the making of any false statement or representation (or omitting to state a fact required to be stated therein or necessary to make the statements contained therein not misleading) of a material fact with respect to (A) a facility in order that the facility may qualify for Governmental Entity certification or (B) information to be provided under 42 USC Section 1320a-3.

SECTION 4.13. TAXES. Each Seller Party has filed or caused to be filed all Tax Returns of such Seller Party which have become due (taking into account valid extensions of time to file) prior to the date hereof. Such Tax Returns are accurate and complete in all material respects, and each Seller Party has paid or caused to be paid all Taxes for the periods covered thereby, whether or not shown to be due on such Tax Returns. There are (i) no outstanding Liens for any Taxes that have been filed by any Governmental Entity against the Assets or any other assets of any Seller Party used in the Business (other than for ad valorem taxes not yet due and payable), and (ii) no claims being asserted with respect to any Taxes relating to any Seller Party, the Assets or the Business for which any Purchaser Party could be held liable, and there is no basis for the assertion of any such claim. No Seller Party has made or agreed or offered to make, or revoked or agreed or offered to revoke, a Tax election with respect to or affecting the Assets at any time during the last two (2) years. Except as set forth on Schedule 4.13, no Seller Party is a party to any tax abatement agreement relating to the Assets. Except as disclosed with reasonable specificity on Schedule 4.13, there are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax to which the Assets or any Purchaser Party may be subject following the Closing.

SECTION 4.14. GOOD TITLE TO ASSETS. Except as set forth on Schedule 4.14, each Seller Party has good, absolute and marketable title to, and unrestricted possession of, all of its assets (other than the Real Property, which is addressed in Section 4.15 below), free and clear of all Liens (other than Permitted Encumbrances) and any adverse Claims of third parties.

SECTION 4.15. TITLE AND CONDITION OF THE REAL PROPERTY.

(a) Exhibit C sets forth a legal description of the Covington Real Property. Except as set forth on Schedule 4.15(a), Covington Seller is the sole and exclusive legal and equitable owner of all right, title and interest in the Covington Real Property and at Closing will have and convey to the Acquisition Sub good and marketable title in fee simple to the Covington Real Property, free and clear of any and all Liens, encumbrances, restrictions or easements of any kind whatsoever (other than Permitted Encumbrances).

(b) Exhibit D sets forth a legal description of the Denham Springs Real Property. Except as set forth on Schedule 4.15(b), Denham Springs Borrower is the sole and exclusive legal and equitable owner of all right, title and interest in the Denham Springs Real Property and at Closing will have good and marketable title to the Denham Springs Real Property, free and clear of any and all Liens, encumbrances, restrictions or easements of any kind whatsoever (other than Permitted Encumbrances).

(c) The location, construction, occupancy, operation, use and sale of the Real Property (including the Improvements) do not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any Governmental Entity or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property, including, without limitation, any applicable zoning or subdivision ordinance or building code, flood disaster law or health and environmental law or regulation.

(d) With regard to the Real Property, except as set forth on Schedule 4.15(d), to the Knowledge of the Seller Parties, there are no (i) encroachments onto or from adjacent properties; (ii) violations of set-back, building or side lines; (iii) encroachments onto any easements or servitudes located on such Real Property; (iv) pending or, to the Knowledge of any Seller Party, threatened boundary line disputes; (v) portions of such Real Property located in a flood plain or in an area defined as a wetland under applicable state or federal law; (vi) cemeteries or gravesites located on the Real Property; or (vii) mine shafts under the Real Property or any other latent defects, such as sinkholes, regarding or affecting the Real Property.

(e) The existing water, sewer, gas and electricity lines, storm sewer and other utility systems are adequate to serve the utility needs of the Real Property. All of said utilities are installed and operating, and all installation and connection charges have been paid in full.

(f) Except as set forth on Schedule 4.15(f), neither the whole nor any portion of the Real Property has been condemned, requisitioned or otherwise taken by any public authority (a "Public Taking"), and no notice of any Public Taking has been received by any Seller Party with regard to any of the Real Property. No Seller Party has any Knowledge of any Public Taking being threatened or contemplated. No Seller Party has any Knowledge of any public improvements which have been ordered to be made and/or which have not heretofore been assessed, and, to the Knowledge of the Seller Parties, there are no special, general or other assessments pending or threatened against or affecting any of the Real Property (except those expressly identified in the Title Commitment).

(g) Except as set forth on Schedule 4.15(g), there are no Claims, actions, suits, proceedings or investigations pending or, to the Knowledge of any Seller Party, threatened, against or affecting all or any portion of the Real Property.

(h) Permanent certificates of occupancy, all licenses, permits, certificates of need (if applicable), authorizations and approvals required by all Governmental Entities having jurisdiction, have been issued for the Improvements, and, as of the Closing, all of the same will be in full force and effect. The Improvements, as designed and constructed, comply with all statutes, restrictions, regulations and ordinances applicable thereto, including but not limited to the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973. No Seller Party either has in its possession or has Knowledge of any studies or reports which specify or suggest the presence of any defects in the design or construction of any of the Improvements.

(i) No Seller Party has Knowledge of any fact or condition which would result in the termination of the current access from the Real Property to any presently existing public highways and/or roads adjoining or situated on the Real Property or to sewer or other utility services to serve the Real Property.

(j) Schedule 4.15(j) attached hereto sets forth an accurate and complete list of all leases, subleases, commitment letters, letters of intent and other rental agreements, whether written or oral, now or hereafter in effect, if any, that grant or will grant a possessory interest in and to any space in the Real Property or that otherwise assign or convey rights with regard to the Real Property or the Improvements (collectively referred to as the "Tenant Leases"). Schedule 4.15(j) designates which of the Tenant Leases described therein are with the referral sources (as determined by any of the Healthcare Fraud Laws) of Seller Party. Schedule 4.15(j) specifies the rent and security deposit, if any, for each Tenant Lease. The Seller Parties have provided the Purchaser Parties with complete, correct and current copies of all Tenant Leases. The Seller Parties shall provide to the Purchaser Parties prior to Closing Tenant Lease estoppels in form satisfactory to the Purchaser Parties from all Tenants under the applicable Tenant Leases. Except for the Tenant Leases and any other items listed on Schedule 4.15(j), there are no purchase contracts, leases of space, options, rights of first refusal or other written or oral agreements of any kind whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Real Property or the Improvements.

(k) No Seller Party has accepted the payment of rent or other sums due under any of the Tenant Leases for more than one (1) month in advance. As of the Closing, none of the Tenant Leases and none of the rents or other charges payable thereunder, if any, will have been assigned, pledged or encumbered. Except as set forth on Schedule 4.15(k), as of the Closing, no brokerage or leasing commissions or other compensation will be due or payable to any Person with respect to, or on account of, either Lease or any Tenant Lease or any extensions or renewals thereof, if any, excepting those agreements entered into or accepted in writing by the Purchaser Parties.

(l) All tenant improvements, repairs and other work and obligations, if any, then required to be performed by the landlord under each of the Tenant Leases will be fully performed and paid for in full on or prior to the Closing.

(m) Except as set forth on Schedule 4.15(m): (i) the Tenant Leases are freely assignable by the Seller Parties, have not been modified, amended or assigned, are legally valid, binding and enforceable against the applicable Seller Parties (and, to the best of the Seller Parties' Knowledge, against the other parties to such Tenant Leases) in accordance with their respective terms and are in full force and effect; (ii) there are no monetary defaults and no material nonmonetary defaults by the applicable Seller Party or, to the best of the Seller Parties' Knowledge, any other party to the Tenant Leases; (iii) no Seller Party has received written notice of any default, offset, counterclaim or defense under any of the Tenant Leases; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by any Seller Party of the terms of any of the Tenant Leases.

(n) The Covington Real Property constitutes all the land and improvements used by Covington Operator in connection with the operation of Covington Hospital and the Denham Springs Real Property constitutes all the land and improvements used by Denham Springs Real Property in connection with the operation of Denham Springs Hospital, it being understood that certain administrative activities relating to such operations are not conducted at the Real Property.

SECTION 4.16. CONDITION OF PERSONAL PROPERTY. Schedule 4.16 sets forth a list of all equipment and other items of tangible personal property used by Covington Operator and Denham Springs Operator in the operation of their respective Hospitals (the "Personal Property"). Except as set forth on Schedule 4.16, Covington Operator and Denham Springs Operator have good, clear and indefeasible title to and ownership of all of their respective Personal Property, subject only to the Liens set forth on Schedule 4.16, and may grant a second priority security interest in and to their respective Personal Property. Schedule 4.16 sets forth an accurate and complete list of all leases of personal property used in the operation of the Hospitals (the "Personal Property Leases"). The Seller Parties have provided the Purchaser Parties with complete, correct and current copies of all of the Personal Property Leases. Except as set forth on Schedule 4.16: (i) Covington Operator and Denham Springs Operator may grant a second priority security interest in their respective Personal Property Leases, (ii) the Personal Property Leases have not been modified, amended or assigned, are legally valid, binding and enforceable against Covington Operator and Denham Springs Operator (and, to the Seller Parties' Knowledge, against the other parties to such Personal Property Leases) in accordance with their respective terms and are in full force and effect; (iii) there are no monetary defaults and no material nonmonetary defaults by either Covington Operator or Denham Springs Operator, to the Seller Parties' Knowledge, or any other party to the Personal Property Leases; (iv) no Seller Party has received notice of any default, offset, counterclaim or defense under any Personal Property Lease; and (v) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by either Covington Operator or Denham Springs Operator of the terms of any Personal Property Lease. Except as set forth on Schedule 4.16, all personal property, whether owned by Covington Operator and Denham Springs Operator or subject to any Personal Property Lease, is in good operating condition and repair, ordinary wear and tear excepted, and is located on the Real Property.

SECTION 4.17. COMPLIANCE WITH ENVIRONMENTAL LAWS. Except as set forth on Schedule 4.17:

(a) with respect to the ownership and operation of the Real Property and the Hospitals, including any operations at or from any real property currently or formerly owned, used, leased, occupied or managed by any Seller Party, each Seller Party is and has at all times been, in compliance with all Environmental Laws;

(b) no Governmental Entity or any nongovernmental third party has notified any Seller Party of any alleged violation or investigation of any suspected violation under the Environmental Laws in connection with the ownership, operation and/or leasing of the Real Property or the Hospitals, including any litigation or cause of action alleging personal injury or property damage caused by exposure to, or the disposal, release or migration of, any Hazardous Materials;

(c) with respect to the ownership, operation and/or leasing of the Real Property and the Hospitals, no Seller Party has stored, disposed of or arranged for the disposal of any Hazardous Materials, except in compliance with the Environmental Laws;

(d) there have been no actions nor, to the Knowledge of Seller Parties, any activities, circumstances, conditions, events or incidents, including, without limitation, the generation, transportation, treatment, storage, release, emission, discharge, presence or disposal of any Hazardous Materials on or from any of the Real Property or the Hospitals that could form the basis of any claim under the Environmental Laws against any Seller Party or any Purchaser Party;

(e) no Seller Party has, whether contractually or by operation of law (including any Environmental Law), assumed or succeeded to any liability of any direct or indirect predecessors or any other Person (including, without limitation, HCP) related or with respect to any Environmental Law;

(f) to the Seller Parties' Knowledge, there are no underground storage tanks located at, on or under the Denham Springs Land, and the Real Property does not contain any asbestos-containing building material;

(g) there is an underground storage tank (approximately 1,000 gallons of diesel used for emergency generator(s) only) located under the Covington Land, which tank, to the Seller Parties' Knowledge, was permitted and installed in 2003 by the previous owner of the Covington Land. Seller Parties have recently filed change of ownership documents with Department of Environmental Quality to have the permit issued in the name of Covington Seller;

(h) there are no conditions presently existing on, at or emanating from the Real Property, that may result in any liability, investigation or clean-up cost under any Environmental Law; and

(i) no Seller Party, nor to the Seller Parties' Knowledge any other Person, has installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, any Hazardous Materials in, on or under the Real Property, except in compliance with the Environmental Laws. No Seller Party has undertaken any activity, and the Seller Parties have no Knowledge that any other Person has undertaken any activity, on the Real Property which would cause (i) the Real Property to become a hazardous waste treatment, storage or disposal facility within the meaning of, or otherwise bring the Real Property within the ambit of, any Environmental Law, (ii) a release or threatened release of Hazardous Material from the Real Property within the meaning of, or otherwise bring the Real Property within the ambit of, any Environmental Law, or (iii) the discharge of Hazardous Material into any watercourse, body of, surface or subsurface water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Environmental Law. No activity has been undertaken by any Seller Party with respect to the Real Property which would cause a violation or support a claim under any Environmental Law. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is in existence, or, to the Seller Parties' Knowledge, threatened with respect to the Real Property. No notice has been served on any Seller Party from any Governmental Entity claiming any violation of any Environmental Law, or requiring compliance with any Environmental Law, or demanding payment or contribution for environmental damage or injury to natural resources. No Seller Party has obtained or is required to obtain, and no Seller Party has any Knowledge of any reason either Acquisition Sub will be required to obtain, any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Real Property by reason of any Environmental Law.

SECTION 4.18. INSURANCE. Schedule 4.18 sets forth a complete and accurate list and brief description of all insurance policies currently held by any Seller Party with respect to the Real

Property, the operation of the Hospitals and the professional liability, negligence and other acts of the Physicians and the Service Providers. All such Insurance policies are in full force and effect, all premiums due thereon have been paid in full and each Seller Party is in compliance with the terms of such Insurance Policies.

SECTION 4.19. LITIGATION. Except as set forth on Schedule 4.19, there is no dispute, suit, action, proceeding, inquiry or investigation (a "Claim") against or involving any of the Seller Parties or any of their properties or rights, which involves or could reasonably be expected to involve damages in excess of Fifty Thousand Dollars ($50,000), pending or, to the Knowledge of the Seller Parties, threatened (including, without limitation any suit, action, proceeding or investigation pursuant to Title 11 of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law regulating employment) nor do the Seller Parties know of any facts which might result in any such Claim. There is no Claim pending, or, to the Seller Parties' Knowledge, threatened, against any Physician or Service Provider which could, by operation of law, through contract or otherwise, result in a Claim against any Seller Party, and no Seller Party has any Knowledge of any facts which could result in such a Claim. Except as set forth on Schedule 4.19, there is no judgment, decree, injunction, rule or order of any Governmental Entity or any other Person (including, without limitation, any arbitral tribunal) outstanding against any Seller Party and no Seller Party is not in violation of any term of any judgment, decree, injunction or order outstanding against it. Furthermore, there is no Claim by or before any Governmental Entity or other Person pending or, to the Knowledge of the Seller Parties, threatened, which questions or challenges the validity of this Agreement or any action taken or to be taken by any Seller Party pursuant to this Agreement or in connection with the transactions contemplated hereby, nor is there any basis for any such Claim.

SECTION 4.20. CONTRACTS, OBLIGATIONS AND COMMITMENTS. Schedule 4.20 sets forth a list of all contractual agreements, whether written or oral, relating to or affecting the Assets, either Hospital and/or the operation of the Business to which any Seller Party is a party (the "Contracts"). The Seller Parties have provided to the Purchaser Parties complete and correct copies of all written Contracts with a physician or a physician owned entity or with annual expenditures in excess of $25,000. Except as set forth on Schedule 4.20, (i) the Contracts are legally valid, binding and enforceable against the applicable Seller Party (and, to the Seller Parties' Knowledge, against the other parties thereto) in accordance with their respective terms and are in full force and effect; (ii) there are no defaults by any Seller Party, or to the Seller Parties' Knowledge, any other party to the Contracts; (iii) no Seller Party has received notice of any default, offset, counterclaim or defense under any Contract; and (iv) no condition or event has occurred which with the passage of time or the giving of notice or both would constitute a default or breach by any Seller Party of the terms of any Contract.

SECTION 4.21. INTANGIBLE PROPERTY. A true and complete list of the trademarks, service marks, and other intangible assets of the Seller Parties used in the operation of the Businesses and either Hospital is set forth on Schedule 4.21 (the "Intangible Property"). The Seller Parties own, or possess adequate, enforceable licenses or other rights to use, all of the Intangible Property, and no rights thereto have been granted to others by any Seller Party. Except as set forth on Schedule 4.21, all of the Intangible Property is owned or used by the Seller Parties' free and clear of all assignments, licenses, restrictions, encumbrances, charges or claims for infringement, and none is subject to any outstanding order, decree, judgment, stipulation or charge. There is no unauthorized use, disclosure, infringement or misappropriation of any of the Intangible Property by any third party. The Seller Parties' use of the Intangible Property does not infringe upon or otherwise violate the rights of others. No one has asserted to any Seller Party that the use of the Intangible Property by the Seller Parties infringes upon the patents, trade secrets, trade names, trademarks, service marks, copyrights or other intellectual property rights of any other Person and no Seller Party has any Knowledge of any fact or circumstance which could provide the basis for any such assertion.

SECTION 4.22. EMPLOYEES AND EMPLOYEE RELATIONS.

(a) Except as set forth on Schedule 4.22(a), all of the employees who are or will provide services at either Hospital (collectively the "Business Employees") are "at will" employees. Except as set forth on Schedule 4.22(a), no Seller Party is a party to any oral (express or implied) or written: (i) employment agreement, or (ii) agreement that contains any severance or termination pay obligations, with any Business Employee. The Seller Parties have provided true, correct and current copies (or, if not written, accurate descriptions of the parties and terms) of such agreements to the Purchaser Parties.

(b) Except as set forth on Schedule 4.22(b), no Business Employee is represented by any labor union, trade association or other employee organization, no demand for recognition has been made by any labor union with respect to the Business Employees, and there is not and has not been any labor union organizing activity at either Hospital during the periods it has been operated by any Seller Party. Except as set forth on Schedule 4.22(b), no Seller Party is a party to any collective bargaining agreement or understanding with any labor union, trade association or other employee organization with respect to any Business Employee and no such agreements are currently being proposed and/or negotiated.

(c) Except as set forth on Schedule 4.22(c), there is no labor dispute, work stoppage, strike, slowdown, walkout, lockout, or any other interruption or disruption of operations at either Hospital as a result of labor disputes or disturbances with respect to the Business Employees and there is no investigation, grievance, arbitration, complaint, claim or other dispute or controversy (collectively, the "Labor Proceeding") pending or threatened, between any Seller Party and any present or former Business Employee, nor have any discharges or terminations of any former Business Employee occurred which would form the basis for any claim of discrimination against any Seller Party. Except as set forth on Schedule 4.22(c), no Seller Party has any Knowledge of any facts or past, current or contemplated event that could form the basis for any such Labor Proceeding, nor has there been any such Labor Proceeding within the past twelve (12) months.

(d) Except as set forth on Schedule 4.22(d), no Seller Party has received any notice that any vice president, director or director-level employee, or higher, of any Seller Party or any group of Business Employees, has any plans to terminate his or her employment or affiliation with any Seller Party.

(e) Each Seller Party has complied with and is currently in compliance with, and no Seller Party has received any notice of noncompliance with, any and all applicable laws relating to the employment of labor, including, without limitation, any provisions relating to wages, hours, equal employment, occupational safety and health, workers' compensation, unemployment insurance, collective bargaining, immigration, affirmative action and the payment and withholding of social security and other taxes. Each Seller Party has withheld all amounts required by law or agreement to be withheld from the wages or salaries of the Business Employees, and no Seller Party is liable for any arrears of any tax or penalties for failure to comply with the foregoing.

(f) Schedule 4.22(f) sets forth each Employee Pension Benefit Plan (as defined in Section 3(2) of ERISA) maintained by any Seller Party (each a "Seller Party Plan") and applicable to the Business Employees. The Seller Parties are in compliance in all material respects with all applicable laws and regulations respecting such Seller Party Plans.

SECTION 4.23. COMPLIANCE WITH LAW. To Seller Parties' Knowledge, each Seller Party is in compliance in all material respects with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of the Business and its ownership and use of its assets and no event has occurred or circumstance exists which (with notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree. Each Seller Party has timely made or given all filings and notices required to be made by such Seller Party with the regulatory agencies of any Governmental Entity.

SECTION 4.24. HILL-BURTON OBLIGATIONS.

(a) Except as set forth on Schedule 4.24, neither any Seller Party, nor, to the Knowledge of the Seller Parties, any predecessor in interest of any Seller Party, has received any loans, grants or loan guarantees pursuant to the United States Hill-Burton Act (42 U.S.C. 291a, et seq.) program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Pharmacy and Resources Development Act or the Community Mental Health Centers Act. All of the obligations set forth on Schedule 4.24 have been fully satisfied. The transactions contemplated hereby will not result in any obligation of any Purchaser Party to repay any such loan, grant or loan guarantee or to provide uncompensated care in consideration thereof.

(b) None of the Assets are subject to any liability in respect of amounts received by any Seller Party or others for the purchase or improvement of the Assets or any part thereof under restricted or conditioned grants or donations, including monies received under the Public Health Service Act, 42 U.S.C. Section 291, et seq.

SECTION 4.25. MEDICAL STAFF MATTERS. Except as set forth on Schedule 4.25, there are no pending or, to the Knowledge of the Seller Parties, threatened investigations, appeals, challenges, disciplinary or corrective actions, or disputes involving applicants to the medical staff of either Hospital, current members of the medical staff of either Hospital or affiliated health professionals. Since the Balance Sheet Date, no member of the medical staff of either Hospital has resigned or been terminated therefrom and no Seller Party has received notice that any Physician or medical staff member intends to resign from its medical staff. For confidentiality purposes, all persons identified on Schedule 4.25 are identified by a hospital-assigned number rather than name. True and correct copies of Medical Staff Bylaws of each Hospital, each Hospital's Medical Staff Rules and Regulations, and each Hospital's Medical Staff Hearing Procedures, all as presently in effect, have been previously delivered by the Seller Parties to the Purchaser Parties.

SECTION 4.26. BROKERS. No Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any Seller Party.

SECTION 4.27. RECORDS. True, complete and current copies of each Seller Party's Governing Documents have been delivered to the Purchaser Parties prior to the execution and delivery of this Agreement. The books of account, minute books, stock record books and other records of each Seller Party, all of which have been made available to the Purchaser Parties, are complete and correct. The minute books of each Seller Party contain records of all meetings and other corporate actions of the directors and shareholders of such Seller Party, and have been delivered to the Purchaser Parties prior to the execution and delivery of this Agreement.

SECTION 4.28. REPRESENTATIONS COMPLETE. The representations and warranties made by the Seller Parties in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by any Seller Party pursuant to this Agreement do not contain and will not contain, as of their respective dates and as of the Closing Date, any untrue statement of a material fact, nor do they omit or will they omit, as of their respective dates or as of the Closing Date, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE V
REPRESENTATIONS AND WARRANTIES BY THE PURCHASER PARTIES

The Purchaser Parties hereby jointly and severally represent and warrant to the Seller Parties as of the date hereof, and as of the Closing Date as follows:

SECTION 5.1. ORGANIZATION. MPT is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware. The Acquisition Subs are limited liability companies duly formed, validly existing and in good standing under the laws of the State of Delaware and qualified to do business in the State of Louisiana.

SECTION 5.2. AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Each Purchaser Party has the requisite power and authority to execute, deliver and carry out the terms of this Agreement, to consummate the transactions contemplated hereby and to conduct its businesses as now being conducted. All actions required to be taken by each to authorize the execution, delivery and performance of this Agreement, all documents executed by the Purchaser Parties which are necessary to give effect to this Agreement and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained. No other action on the part of either Purchaser Party is necessary to authorize the execution, delivery and performance of this Agreement, all documents necessary to give effect to this Agreement and all transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of the Governing Documents of either Purchaser Party; (ii) violate any provision of law, statute, rule or regulation to which either Purchaser Party is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to either Purchaser Party; (iv) violate or conflict with any law or regulation applicable to either Purchaser Party; or (v) result in the breach or termination of any provision of, or create rights of acceleration or constitute a default under, the terms of any debt or obligation to which either Purchaser Party is a party or by which either Purchaser Party is bound.

SECTION 5.3. BINDING AGREEMENT. This Agreement and all agreements to which any Purchaser Party will become a party hereunder is and will constitute the valid and legally binding obligations of such Purchaser Party, and are and will be enforceable against such Purchaser Party in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity.

SECTION 5.4. LITIGATION. There is no Claim pending or, to the Knowledge of the Purchaser Parties, threatened against or affecting any Purchaser Party that has or would reasonably be expected to have a material adverse effect on the ability of the Purchaser Parties to perform their respective obligations under this Agreement or any aspect of the transactions contemplated hereby.

SECTION 5.5. BROKERS. No Person is or will be entitled to any brokerage, finder's or other fee, commission or payment in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser Parties.

SECTION 5.6. COMPLIANCE WITH LAW. The Purchaser Parties, where applicable (a) are in compliance with every applicable law, rule, regulation, ordinance, license, permit and other governmental action and authority and every order, writ, and decree of every Governmental Entity in connection with the ownership, conduct, operation and maintenance of their businesses, and their ownership and use of their assets, except where non-compliance would not prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby or the ability of the Purchaser Parties to perform their respective obligations under this Agreement and, to the Knowledge of the Purchaser Parties, no event has occurred or circumstance exists which (without notice or lapse of time) would result in any noncompliance with any such law, rule, regulation, ordinance, license permit, order, writ or decree which would prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby; and (b) have timely made or given all filings and notices required to be made by the Purchaser Parties with the regulatory agencies of any Governmental Entity, except where such failure would not prevent or impede the Purchaser Parties from consummating the transactions contemplated hereby.

ARTICLE VI
TITLE AND SURVEY

SECTION 6.1. SURVEY. MPT shall cause to be prepared, at Seller Parties' expense, a current ALTA/ACSM Land Title Survey of the Covington Real Property and the Denham Springs Real Property, each prepared by a duly licensed land surveyor. Each survey shall be currently dated, shall show the location on the respective Real Property of any improvements, fences, evidence of abandoned fences, ponds, creeks, streams, rivers, easements, roads, rights-of-way, means of ingress and egress, location of all utilities serving the respective Real Property, and encroachments, and shall contain a legal description of the boundaries of the respective Real Property by metes and bounds and the appropriate flood zone designation and the total number of acres constituting the respective Real Property. The surveyor shall certify to the Purchaser Parties and to the Title Company that the surveys are correct and that there are no visible discrepancies, conflicts, encroachments, overlapping of improvements, fences, evidence of abandoned fences, ponds, creeks, streams, rivers, easements, roads or rights-of-way except as are shown on the survey plat. Any and all matters shown on such survey shall be legibly identified by appropriate volume and page recording references with dates of recording noted. If MPT shall disapprove either survey for any reason in MPT's sole discretion, MPT may either (i) treat such objection as a title objection and request that it be cured, or (ii) terminate this Agreement and the parties hereto shall have no further liability or obligations hereunder, expect as otherwise expressly set forth herein. If the Seller Parties are unable to cure any objection to either survey within twenty (20) days following delivery of notice to Seller Parties thereof, then MPT may terminate this Agreement upon written notice to the Seller Parties.

SECTION 6.2. TITLE INSURANCE. MPT will cause to be prepared, at Seller Parties' expense, title commitments for the issuance of an ALTA Owner's Policy Form dated October 17, 1992, issued by a title insurance company mutually-selected by the parties and qualified to insure titles in the State of Louisiana (the "Title Company"), in the amount of the Covington Purchase Price, covering title to the Covington Real Property and of the Denham Springs Purchase Price, covering title to the Denham Springs Real Property at a date not earlier than the date hereof and showing good and marketable title, subject only to the Permitted Encumbrances. All of the standard exceptions within the policy and the exceptions for mechanic's and materialmen's liens and the survey exception shall be deleted. If MPT shall disapprove any items stated in either Title Commitment or the Exception Documents, MPT may either (i) treat such objection as a title objection and request that it be cured, or (ii) terminate this Agreement and, upon such termination, the parties hereto shall have no further liability or obligations hereunder, except as otherwise expressly provided herein. If the Seller Parties are unable to cure any exception or objection to title that is not a Permitted Encumbrance within twenty (20) days following delivery of notice to the Seller Parties thereof, then MPT may terminate this Agreement upon written notice to Seller Parties.

ARTICLE VII
PRE-CLOSING COVENANTS

From and after the execution and delivery of this Agreement to and including the Closing Date, the applicable party shall observe the following covenants:

SECTION 7.1. NO SHOP. Neither any Seller Party nor any investment banker, attorney, accountant, representative or other Person retained by or on behalf of any Seller Party, shall, directly or indirectly, initiate contact with, respond to, solicit or encourage any inquiries, proposals or offers by, or participate in any discussions or negotiations with, enter into any agreement with, disclose any information concerning any Seller Party or the Assets to, afford any access to the properties, books or records of any Seller Party to, or otherwise assist, facilitate or encourage, any Person in connection with any possible proposal regarding a sale, lease, transfer, disposition or other transaction related to or affecting all or any portion of the Assets (including all or any portion of the Real Property). The Seller Parties shall notify MPT immediately if any discussions or negotiations are sought to be initiated, any inquiry or proposal is made, or any such information is requested.

SECTION 7.2. ACCESS; CONFIDENTIALITY.

(a) Between the date hereof and the Closing, the Seller Parties shall (i) afford the Purchaser Parties and their authorized representatives full and complete access to Seller Parties' employees, (including the Business Employees) medical staff, and other agents and representatives and during normal working hours to all books, records, offices and other facilities of the Seller Parties, (ii) permit the Purchaser Parties to make such inspections and to make copies of such books and records as they may reasonably require and (iii) furnish the Purchaser Parties with such financial and operating data and other information related to the Hospitals, the Business or the Seller Parties as the Purchaser Parties may from time to time reasonably request. The Purchaser Parties and their authorized representatives shall conduct all such inspections under the supervision of personnel of the Seller Parties in a manner that will minimize disruptions to the business and operations of the Seller Parties and in a manner as to maintain the confidentiality of this Agreement.

(b) The Purchaser Parties and their authorized representatives (including their designated engineer, architects, surveyors and/or consultants) may, upon reasonable notice and at any time enter into and upon all or any portion of the Real Property in order to investigate and assess, as the Purchaser Parties deem necessary or appropriate in their sole and absolute discretion, the condition (including the structural and environmental condition) of the Assets. The Seller Parties shall cooperate with the Purchaser Parties and their authorized representatives in conducting such investigation, shall allow the Purchaser Parties and their authorized representatives full access to the Assets, together with full permission to conduct such investigation, and shall provide to the Purchaser Parties and their authorized representatives all information maintained by the Seller Parties and related to the condition of the Assets, including the Real Property, and all plans, soil or surface or ground water tests or reports, any environmental investigation results, reports or assessments previously or contemporaneously conducted or prepared by or on behalf of, or in the possession of or reasonably available to the Seller Parties or any of their engineers, consultants or agents.

(c) The provisions of that certain Confidentiality Agreement dated February 21, 2005 among the parties (the "Confidentiality Agreement") shall remain binding and in full force and effect until the Closing. Notwithstanding anything to the contrary contained herein or in the Confidentiality Agreement, the confidentiality obligations as they relate to the transactions contemplated by this Agreement shall not apply to the purported or claimed Federal income tax treatment of the transactions (the "Tax Treatment") or to any fact that may be relevant to understanding the purported or claimed Federal income tax treatment of the transactions (the "Tax Structure"), and each party hereto (and any employee, representative, or agent of any party hereto) may disclose to any and all persons, without limitation of any kind, the Tax Treatment and Tax Structure of the transactions contemplated by this Agreement and any materials of any kind (including any tax opinions or other tax analyses) that relate to the Tax Treatment or Tax

Structure. In addition, each party hereto acknowledges that it has no proprietary or exclusive rights to any tax matter or tax idea related to the transactions contemplated by this Agreement. The preceding sentence is intended to ensure that the transactions contemplated by this Agreement shall not be treated as having been offered under conditions of confidentiality for purposes of the Confidentiality Regulations and shall be construed in a manner consistent with such purpose. The information contained herein, in the Schedules hereto or delivered to the Purchaser Parties or its authorized representatives pursuant hereto shall be subject to the Confidentiality Agreement as Information (as defined and subject to the exceptions contained therein) until the Closing and, for that purpose and to that extent, the terms of the Confidentiality Agreement are incorporated herein by reference.

SECTION 7.3. SCHEDULE UPDATES. From the date hereof until the Closing Date, the Purchaser Parties, on the one hand, and the Seller Parties on the other hand, shall immediately advise the other in writing of any additions or changes to any Schedule to reflect any deficiencies or inaccuracies in such Schedule or to reflect circumstances or matters which occur after the date of this Agreement which, if existing prior to such date, would have been required to be described on such Schedule; provided, however, that no additions or changes made to any Schedule by any party to correct deficiencies or inaccuracies on such Schedule shall be deemed to cure any breach or inaccuracy of a representation or warranty, covenant or agreement or to satisfy any condition unless otherwise agreed to in writing by the other party, but provided further, however, that an addition or change made to any Schedule by any Party to reflect circumstances or matters which occur after the date of this Agreement shall be deemed to cure a breach or inaccuracy of a representation or warranty, covenant or agreement, but shall not be deemed to satisfy any condition unless agreed to in writing by the other party.

SECTION 7.4. CONDUCT OF BUSINESS BY THE SELLER PARTIES PENDING THE CLOSING. The Seller Parties covenant and agree that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless the Purchaser Parties shall otherwise agree in writing, the Seller Parties shall conduct their businesses only in, and the Seller Parties shall not take any action except in, the ordinary course of business and in a manner consistent with past practice and in compliance in all material respects with all applicable laws and regulations, and that the Seller Parties shall use reasonable best efforts to preserve substantially intact the business organization of each Seller Party, to keep available the services of their current officers, employees and consultants and to preserve the present relationships of each Seller Party with patients, suppliers and other persons with which each Seller Parties have significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement or set forth on Schedule 7.4, no Seller Party shall, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, directly or indirectly do, or propose to do, any of the following without the prior written consent of MPT:

(a) amend, repeal or otherwise change in any way its Governing Documents;

(b) make or revoke any Tax election related to or affecting the Assets;

(c) fail to perform its obligations in all respects under agreements relating to or respecting its assets, properties and rights;

(d) reduce the coverage of, fail to timely renew or pay the premiums on or cancel any insurance policy;

(e) cause to lapse or fail to renew any license and certification necessary to conduct its business;

(f) fail to timely make all applicable filings with Governmental Entities;

(g) create, assume or, other than those presently in existence, permit to exist any Lien upon any of the Assets;

(h) purchase, sell, assign, lease or otherwise acquire, transfer or dispose of any material assets, except in the ordinary course of business and consistent with its past practice;

(i) enter into or agree to enter into any agreement or arrangements granting any rights to purchase any of its assets, properties or rights, except for purchases of inventory in the ordinary course of business and consistent with its past practice;

(j) engage in any business other than the Business;

(k) terminate or modify any contract, lease or other agreement to which it is a party (excluding expiration or satisfaction in accordance with the terms of such contract or agreement);

(l) waive any right of substantial value other than in exchange for reasonable consideration; or

(m) take, agree or offer, in writing or otherwise, to take, any of the actions described in Sections 7.4 (a) through (l) above, or any action which would make any of the representations or warranties of any Seller Party contained in this Agreement untrue, incorrect or incomplete or prevent any Seller Party from performing or cause any Seller Party not to perform its covenants hereunder, in each case, such that the conditions set forth in Sections 8.2(a) or 8.2(b), as the case may be, would not be satisfied.

SECTION 7.5. COOPERATION. Subject to compliance with applicable law, from the date hereof until the Closing Date, (a) the Seller Parties shall confer on a regular and frequent basis with one or more representatives of the Purchaser Parties to report operational matters that are material and the general status of ongoing operations and (b) each of the Purchaser Parties and the Seller Parties shall promptly provide the other or their counsel with copies of all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

SECTION 7.6. REGULATORY AND OTHER AUTHORIZATIONS, NOTICES AND CONSENTS.

(a) Each party hereto shall use all commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Entities and officials that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and each such party will cooperate fully with the other parties hereto in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(b) The Seller Parties shall give promptly such notices to third parties and use its commercially reasonable efforts to obtain such third party consents and estoppel certificates as MPT may in its sole and absolute discretion deem necessary or desirable in connection with the transactions contemplated by this Agreement, including, without limitation, all third party consents that are necessary or desirable in connection with the transfer any of the Assets.

(c) The Purchaser Parties shall cooperate and use commercially reasonable efforts to assist the Seller Parties in giving such notices and obtaining such consents and estoppel certificates; provided, however, that the Purchaser Parties shall have no obligation to give any guarantee or other consideration of any nature, or consent to any change in terms, in connection with any such notice, consent or estoppel certificate.

(d) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Assets if an attempted assignment thereof, without the consent of the other party thereto, would constitute a breach or other contravention thereof, noncompliance by any Seller Party or its affiliates thereunder or in any way adversely affect the rights of any Purchaser Party thereunder. The Seller Parties and the Purchaser Parties agree that, in the event any consent, approval or authorization necessary or desirable to preserve for the Purchaser Parties any right or benefit with respect to any such Asset is not obtained prior to the Closing, the Seller Parties will, subsequent to the Closing, cooperate with the Purchaser Parties in attempting to obtain such consent, approval or authorization as promptly thereafter as practicable. If such consent, approval or authorization cannot be obtained, the Seller Parties will use commercially reasonable efforts to provide the Purchaser Parties with the rights and benefits of such Asset, and, if the Seller Parties provide such rights and benefits, the Purchaser Parties shall assume the obligations and burdens thereunder in accordance with this Agreement, including, subcontracting, sublicensing, or subleasing to the Purchaser Parties, or under which the Seller Parties would enforce for the benefit of the Purchaser Parties, with the Purchaser Parties assuming the applicable Seller Party's obligations, any and all rights of the applicable Seller Party against a third party thereto.

SECTION 7.7. MUTUAL COVENANTS. The parties shall use their good faith reasonable efforts to satisfy the conditions to the closing of the transactions contemplated hereby. Without limiting the generality of the foregoing, the respective parties shall execute and/or deliver, or use their respective good faith reasonable efforts to cause to be executed and/or delivered, the documents contemplated to be executed and/or delivered by them at Closing.

SECTION 7.8. PUBLIC ANNOUNCEMENTS. Prior to the Closing Date, the parties agree to consult with each other before any party hereto or any of their respective affiliates issues any press release or makes any public statement with respect to this Agreement or the transactions contemplated hereby and, except as may be required by applicable law or any listing agreement with any national securities exchange, will not issue, or permit to be issued, any such press release or make, or permit to be made, any such public statement prior to such consultation.

ARTICLE VIII
CLOSING CONDITIONS

SECTION 8.1. CONDITIONS TO THE OBLIGATIONS OF THE SELLER PARTIES. The obligations of the Seller Parties to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Seller Parties:

(a) All of the representations and warranties of Purchaser Parties set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) The Purchaser Parties shall have delivered, performed, observed and complied in all material respects with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by them prior to, or as of, the Closing.

(c) The Purchaser Parties shall have executed, where applicable, and delivered to the Seller Parties the documents referenced in Section 9.3 hereof.

SECTION 8.2. CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER PARTIES. The obligations of the Purchaser Parties to effect the transactions contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived by the Purchaser Parties:

(a) All of the representations and warranties of Seller Parties set forth in this Agreement shall be true and correct when made and as of the Closing Date as if made on the Closing Date.

(b) The Seller Parties shall have delivered, performed, observed and complied with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by them prior to, or as of, the Closing.

(c) The board of directors of Medical Properties Trust, Inc. shall have approved the transactions contemplated hereby.

(d) No Seller Party shall have suffered any change, event or circumstance which has had, or could have, a Material Adverse Effect.

(e) The Purchaser Parties shall have satisfactorily completed their due diligence investigations of the Assets and shall be satisfied with the results of such investigations.

(f) All necessary approvals, consents, estoppel certificates and the like of third parties to the validity and effectiveness of the transactions contemplated hereby have been obtained.

(g) No portion of the Assets shall have been damaged or destroyed by fire or casualty.

(h) No condemnation, eminent domain or similar proceedings shall have been commenced or threatened with respect to any portion of the Assets.

(i) The Purchaser Parties shall have received copies of all permits, licenses and other approvals of governmental authorities required for the operation of the Assets for their intended uses and written evidence satisfactory to the Purchaser Parties that the operation and use of the Hospitals are in accordance with all applicable governmental requirements.

(j) The Purchaser Parties shall have received evidence that the Seller Parties are maintaining insurance on the Assets and that the Purchaser Parties are named as additional insureds and, where applicable, loss payees.

(k) The Seller Parties shall have executed where applicable, and delivered to Purchaser Parties the documents referenced in Section 9.2 hereof.

(l) There shall not have been instituted by any creditor of any Seller Party, any Governmental Entity or any other third party, any suit, action or proceeding which would affect the Assets or seek to restrain, enjoin or invalidate the transactions contemplated by this Agreement.

(m) The Covington Appraisal shall have been delivered and shall reflect a Covington Appraised Value that equals or exceeds the Covington Purchase Price.

(n) The Denham Springs Appraisal shall have been delivered and shall reflect a Denham Springs Appraised Value that equals or exceeds the Loan amount.

(o) The Denham Springs Borrower and the Denham Springs Operator shall have terminated their existing lease and entered into a new lease in the form attached hereto as Exhibit 9.2(z).

ARTICLE IX
CLOSING

SECTION 9.1. CLOSING DATE. The closing of the transactions contemplated hereby (the "Closing") shall be held at the offices of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. in Birmingham, Alabama on June 8, 2005, or on such other date and such other place as the parties hereto shall mutually agree (the actual date of closing being herein referred to as the "Closing Date").

SECTION 9.2. SELLER PARTIES' CLOSING DATE DELIVERABLES. On the Closing Date, the Seller Parties shall deliver to the Purchaser Parties the documents listed below.

(a) Duly executed bills of sale and assignments transferring the Covington Assets other than the Covington Real Property in form and substance satisfactory to MPT;

(b) A duly executed Act of Cash Sale in substantially the form as Exhibit 9.2(b) (the "Covington Deed") conveying the Covington Real Property to the Acquisition Sub;

(c) Intentionally Deleted;

(d) A certified copy of the resolutions of the governing body of each Seller Party dated as of the date hereof and authorizing such Seller Party's execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(e) Certificates of existence and good standing of each Seller Party from the secretary of state of such Seller Party's state of incorporation or organization, dated the most recent practical date prior to the Closing Date;

(f) Certificates of good standing and foreign qualification of each Seller Party from the secretary of state of the State of Louisiana dated the most recent practical date prior to the Closing Date;

(g) The Title Commitment and Title Policy for the Covington Real Property and the Denham Springs Real Property in form and substance satisfactory to MPT;

(h) Surveys for the Covington Real Property and the Denham Springs Real Property dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(i) Phase I Environmental Site Assessment Reports for the Covington Real Property and the Denham Springs Real Property dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT (and a Phase II if recommended by the Phase I Report);

(j) Property condition reports for the Covington Real Property and the Denham Springs Real Property dated the most recent practical date prior to the Closing Date and in form and substance satisfactory to MPT;

(k) Zoning Compliance Letters/Certificates for the Covington Real Property and the Denham Springs Real Property dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(l) Owner's Affidavits in form and substance satisfactory to MPT;

(m) The Search Reports dated the most recent practical date prior to the Closing Date in form and substance satisfactory to MPT;

(n) Non-Foreign Affidavits in form and substance satisfactory to MPT;

(o) The Covington Lease, together with a Memorandum of Lease Agreement in form and substance satisfactory to MPT;

(p) The Promissory Note, Loan Agreement, Loan Guaranty Agreement, Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing and other documents evidencing the Loan in form and substance satisfactory to MPT (the "Loan Documents");

(q) A Lease Guaranty Agreement for the Lease substantially in the form of Exhibit 9.2(q)

(r) The Assignment of Rents and Leases for the Lease in substantially the form attached hereto as Exhibit 9.2(r);

(s) The Security Agreements in substantially the form attached hereto as Exhibit 9.2(s);

(t) An Environmental Indemnity Agreement in form and substance satisfactory to MPT;

(u) The legal opinion of Roedel Parsons as counsel for the Seller Parties, substantially in the form attached hereto as Exhibit 9.2(u);

(v) At the Closing, each Seller Party shall have furnished to the Purchaser Parties a certificate dated the Closing Date signed by such Seller Party to the effect that all of the representations and warranties of each Seller Party contained in the Agreement (considered collectively) and each of these representations and warranties (considered individually) remain in all respects true and correct as of the Closing Date as if made on such date and that such Seller Party has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by such Seller Party on or prior to Closing;

(w) All necessary approvals, consents, estoppel certificates and the like of third parties or Governmental Entities to the validity and effectiveness of the transactions contemplated hereby;

(x) The Noncompete Agreements substantially in the form attached as Exhibit 9.2(x);

(y) Subordinations of Management Agreement in form and substance satisfactory to MPT;

(z) The Denham Springs Borrower and Denham Springs Operator shall have terminated the existing lease and entered into a new lease as provided in Section 8.2(o) hereof, substantially in the form attached as Exhibit 9.2(z); and

(aa) Such other instruments and documents as the Purchaser Parties reasonably deem necessary to effect the transactions contemplated hereby.

SECTION 9.3. PURCHASER PARTIES' CLOSING DATE DELIVERABLES. On the Closing Date, the Purchaser Parties shall deliver to the Seller Parties the documents listed below.

(a) A certified copy of the resolutions of the governing body of each Purchaser Party dated as of the date hereof authorizing the execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(b) Certificates of existence and good standing of each Purchaser Party from the Delaware Secretary of State of the State of Delaware, dated the most recent practical date prior to the Closing Date;

(c) Certificates of good standing and foreign qualification of the Acquisition Sub from the secretary of state of the State of Louisiana, dated the most recent practical date prior to the Closing Date;

(d) The Covington Lease, together with a Memorandum of Lease Agreement in form and substance satisfactory to MPT;

(e) The Loan Documents to which any of the Purchaser Parties are parties;

(f) The Assignment of Rents and Leases for the Lease in substantially the form attached hereto as Exhibit 9.2(r);

(g) An Opinion of Baker Donelson, Bearman, Caldwell & Berkowitz, P.C., as counsel for the Purchaser Parties substantially in the form attached as Exhibit 9.3(g);

(h) At the Closing, each Purchaser Party shall have furnished to the Seller Parties a certificate dated the Closing Date signed by such Purchaser Party to the effect that all of the representations and warranties of such Purchaser Party contained in the Agreement (considered collectively) and each of these representations and warranties (considered individually) remain in all respects true and correct as of the Closing Date as if made on such date and that such Purchaser Party has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by such Purchaser on or prior to Closing;

(i) Any bills of sale and assignments requiring the signature of any Purchaser Party;

(j) The Security Agreements in substantially the form attached hereto as Exhibit 9.2(s); and

(k) The Noncompete Agreements substantially in the form attached as Exhibit 9.2(x).

ARTICLE X
TERMINATION

SECTION 10.1. TERMINATION. Notwithstanding anything to the contrary in this Agreement, the remaining obligations of the parties hereunder may be terminated and the transactions contemplated hereby abandoned at any time prior to Closing: (i) by mutual written consent of the parties; (ii) by the Seller Parties if the conditions set forth in Section 8.1 shall not have been satisfied on or before June 8, 2005, unless such date is extended in writing by MPT; or (iii) by the Purchaser Parties if the conditions set forth in Section 8.2 shall not have been satisfied on or before June 8, 2005, unless such date is extended in writing by MPT.

SECTION 10.2. NOTICE AND EFFECT. In the event of the termination of this Agreement pursuant to this Article X, the party terminating this Agreement shall give prompt written notice thereof to the parties, and the transactions contemplated hereby shall be abandoned, without further action by any party. Each filing, application and other submission relating to the transactions contemplated hereby shall, to the extent practicable, be withdrawn from the person to which it was made. The confidentiality provisions set forth in Article VII of this Agreement shall survive any termination of this Agreement. Notwithstanding any statement contained in this Agreement to the contrary, termination of this Agreement shall not relieve any party from liability for any breach or violation of this Agreement that arose prior to such termination.

ARTICLE XI
CERTAIN POST-CLOSING COVENANTS

SECTION 11.1. POST-CLOSING ACCESS TO INFORMATION. The Parties acknowledge that, subsequent to Closing, each may need access to the Assets and to information, documents or computer data in the control or possession of the other for purposes of concluding the transactions contemplated herein and for audits, investigations, compliance with governmental requirements, regulations and requests, the prosecution or defense of third party claims. Accordingly, the Parties agree that they will make available to the other and their agents, independent auditors and/or governmental entities such documents and information as may be available relating to any of the Assets and either Hospital and will permit the other to make copies of such documents and information at the requesting party's expense.

SECTION 11.2. SURVEY. At the Seller Parties' sole cost and expense, the Purchaser Parties shall obtain and deliver, surveys of the Real Property in form and substance reasonably satisfactory to MPT. The Parties acknowledge that Seller Parties are retaining certain parcels of property adjoining the Real Property. At the request of the Purchaser Parties, Seller Parties shall execute all necessary documents and take such actions as shall be necessary to convey easements or other rights with respect to such retained parcels to enable Purchaser Parties to realize the full use of the portion of the Real Property the Purchaser Parties own.

SECTION 11.3. PURCHASE OF DENHAM SPRINGS REAL PROPERTY. The Parties acknowledge that, subject to Purchaser Parties satisfaction in its sole discretion that the Environmental Issues are resolved, it is their intent to consummate a sale/leaseback transaction for the Denham Springs Real Property for a purchase price of Six Million and No/100 Dollars ($6,000,000.00) (which will be paid, at least in part, by delivering the Promissory Note evidencing the Loan marked "paid-in-full" and releasing to Borrower the remaining balance of all funds escrowed by Borrower pursuant to the Loan Documents) and upon terms and conditions substantially the same as set forth herein for the purchase and sale of the Covington Assets. Seller Parties shall use their commercially reasonable efforts to cause the Environmental Issues to be resolved and shall keep the Purchaser Parties apprised of any and all developments with respect to such efforts. Upon notice from Purchaser Parties to Seller Parties that the Environmental Issues have been resolved to its satisfaction, the Parties shall proceed to close the sale/leaseback transaction within thirty (30) days following such notice and in accordance with substantially the same terms and conditions representations, warranties, deliveries, indemnifications and other provisions as are provided herein for the sale of the Covington Assets. The provisions of Section 7.1 shall continue to apply with respect to the Denham Springs Real Property for a period of one (1) year following the Closing Date. In the event that the Purchaser Parties do not deliver notice of satisfaction with the resolution of the Environmental Issues within said one (1) year period, then neither party shall have any further obligation to comply with the provisions of this Section 11.3.

ARTICLE XII
INDEMNIFICATION

SECTION 12.1. SELLER PARTIES AGREEMENT TO INDEMNIFY.

(a) Subject to the limitations set forth in this Article, the Seller Parties jointly and severally agree to indemnify, defend and hold harmless the Purchaser Parties, their affiliates and their respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the "Purchaser Indemnified Parties") from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, attorneys' and accountants' fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by the Purchaser Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of any Seller Party; or (ii) any Excluded Liabilities (collectively, "Purchaser Damages").

(b) The indemnification of the Purchaser Indemnified Parties by the Seller Parties provided for under this Article XII shall be limited in certain respects as follows: (i) the right of the Purchaser Indemnified Parties to seek indemnification under this Section 12.1 shall terminate on the third anniversary of Closing (the "Purchaser's Indemnity Periods"), except that the Purchaser's Indemnity Period shall terminate on the fifth anniversary of the Closing Date for claims under Sections 4.15 and 4.17 and (ii) the Seller shall not be required to indemnify the Purchaser Indemnified Parties for indemnification claims under this Section 12.1 unless and until the aggregate amount of all losses resulting in Purchaser's Damages exceeds One Hundred Thousand and No/100 Dollars ($100,000.00) (the "Minimum Aggregate Liability Amount") in which event the foregoing indemnification obligation shall apply to the aggregate amount of Purchaser Damages that exceeds One Hundred Thousand and No/100 Dollars ($100,000.00); provided, however, that the maximum liability of the Seller Parties under this Agreement shall be an amount equal to the Purchase Price. The foregoing limitations on time and amount shall not apply to any Purchaser Damages arising or resulting from (i) any act or omission of any Seller Party which constitutes fraud, (ii) any breach by any Seller Party of its post-closing covenants; or (iii) the Excluded Liabilities.

SECTION 12.2. THE PURCHASER PARTIES' AGREEMENT TO INDEMNIFY.

(a) Subject to the limitations set forth in this Article, the Purchaser Parties jointly and severally agree to indemnify, defend and hold harmless the Seller Parties, their affiliates and their respective officers, directors, members, (general and limited) partners, shareholders, employees, agents and representatives (collectively, the "Seller Indemnified Parties") from and against all demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, reasonable attorneys' and accountants' fees, settlement costs, arbitration costs and any reasonable other expenses for investigating or defending any action or threatened action) asserted against or incurred by any of the Seller Indemnified Parties or any of them arising out of or in connection with or resulting from (i) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement or the other agreements contemplated hereby on the part of any Purchaser Party; or (ii) the use, ownership or operation of any of the Assets after Closing (collectively, "Seller Damages").

(b) The indemnification of the Seller Indemnified Parties by the Purchaser Parties provided for under this Article XII shall be limited in certain respects as follows: (i) the right of the Seller Indemnified Parties to seek indemnification under this Section 12.2 shall terminate on the third anniversary of Closing (the "Seller Indemnity Period"), and (ii) the Purchaser Parties shall not be required to indemnify the Seller Indemnified Parties for indemnification claims under this Section 12.2 unless and until the amount of all losses resulting in Seller Damages exceeds One Hundred Thousand and No/100 Dollars ($100,000.00) in which event the foregoing indemnification obligation shall apply to the aggregate amount of Seller Damages that exceeds One Hundred Thousand and No/100 Dollars ($100,000.00); provided, however, that the maximum liability of the Purchaser Parties under this Agreement shall be an amount equal to the Purchase Price. The foregoing limitation on time and amount shall not apply to any Seller Damages arising or resulting from any act or omission of any Purchaser Party which constitutes fraud or any breach by any Purchaser Party of its post-closing covenants.

SECTION 12.3. NOTIFICATION AND DEFENSE OF CLAIMS.

(a) A party entitled to be indemnified pursuant to Section 12.1 or Section 12.2 (the "Indemnified Party") shall notify the party liable for such indemnification (the "Indemnifying Party") in writing of any claim or demand which the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, as soon as possible after the Indemnified Party becomes aware of such claim or demand; provided, that the Indemnified Party's failure to give such notice to the Indemnifying Party in a timely fashion shall not result in the loss of the Indemnified Party's rights with respect thereto except to the extent the Indemnified Party is materially prejudiced by the delay.

If the Indemnified Party shall notify the Indemnifying Party of any claim or demand pursuant to the provisions hereof, and if such claim or demand relates to a claim or demand asserted by a third party against the Indemnified Party (a "Third Party Claim"), the Indemnifying Party shall have the obligation either (i) to pay such claim or demand, or (ii) defend any such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. After the Indemnifying Party has assumed the defense of such Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party under this Section 12 for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, provided that the Indemnified Party shall have the right to employ counsel, at the Indemnifying Party's expense, to represent it if (A) in the Indemnified Party's reasonable opinion the Indemnifying Party is not diligently prosecuting the defense of such Third Party Claim, (B) such Third Party Claim involves remedies other than monetary damages and such remedies, in the Indemnified Party's reasonable judgment, could have a material adverse effect on such Indemnified Party, (C) the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more defenses or counterclaims that may be alleged by the Indemnifying Party, or (D) the Indemnified Party believes in its reasonable discretion that a conflict of interest exists between the Indemnifying Party and the Indemnified Party with respect to such Third-Party Claim or action, and in any such event the reasonable fees and expenses of such separate counsel for the Indemnified Party shall be paid by the Indemnifying Party. The Indemnified Party shall make available to the Indemnifying Party or its agents all records and other materials in the Indemnified Party's possession reasonably required by it for its use in contesting any Third-Party Claim or demand.

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

SECTION 12.4. INVESTIGATIONS. The right to indemnification based upon breaches or inaccuracies of representations, warranties and covenants will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, whether as a result of disclosure by a party pursuant to this Agreement or otherwise, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty or covenant. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, will not affect a party's right to indemnification, payment of damages or other remedies based on such representations, warranties and covenants.

SECTION 12.5. TREATMENT OF INDEMNIFICATION PAYMENTS. All indemnification payments made pursuant to this Article XII shall be treated by the parties for income Tax purposes as adjustments to the Purchase Price, unless otherwise required by applicable Law.

SECTION 12.6. EXCLUSIVE REMEDY. FROM AND AFTER THE APPLICABLE CLOSING, THE PARTIES AGREE AND ACKNOWLEDGE THAT THE INDEMNIFICATION RIGHTS PROVIDED IN THIS ARTICLE XII SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF THE PARTIES TO THIS AGREEMENT FOR MATERIAL BREACHES OF THIS AGREEMENT AND FOR ALL DISPUTES ARISING UNDER OR RELATING TO THIS AGREEMENT AND ANY ADDITIONAL AGREEMENTS OR DOCUMENTS EXECUTED OR DELIVERED IN OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT FOR POST-CLOSING COVENANTS, CASES WHERE SPECIFIC PERFORMANCE IS AVAILABLE AS A REMEDY AND EXCEPT IN CASES OF FRAUD.

ARTICLE XIII
DISPUTE RESOLUTION

SECTION 13.1. GOVERNING LAW, JURISDICTION AND VENUE. EXCEPT AS MAY BE SET FORTH IN ANY EXHIBIT OR SCHEDULE ATTACHED TO THIS AGREEMENT, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PRINCIPLES. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN NEW CASTLE COUNTY IN THE STATE OF DELAWARE, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO, THIS AGREEMENT. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 14.2 OF THIS AGREEMENT SHALL BE EFFECTIVE SERVICE OF PROCESS AGAINST SUCH PARTY FOR ANY ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT MAY BE ENFORCED IN ANY OTHER COURT TO WHOSE JURISDICTION ANY OF THE PARTIES IS OR MAY BE SUBJECT.

ARTICLE XIV
MISCELLANEOUS

SECTION 14.1. ASSIGNMENT. This Agreement is not assignable by any party without the prior written consent of the other parties hereto. Notwithstanding the foregoing, the Purchaser Parties may at any time and without the consent of any Seller Party assign all of their respective rights and obligations hereunder to one or more of its Affiliates; provided, however, that no such assignment shall relieve or release such Purchaser Parties from their obligations hereunder.

SECTION 14.2. NOTICE. All notices, demands, requests and other communications or documents required or permitted to be provided under this Agreement shall duly be in writing and shall be given to the applicable party at its address or facsimile number set forth below or such other address or facsimile number as the party may later specify for that purpose by notice to the other party:

If to any Seller Party:	Covington Healthcare Properties, L.L.C. 18153 East Petroleum Drive Post Office Box 83180 Baton Rouge, Louisiana 70809-6125 Attention: S. Chris Herndon
With a copy to:	Roedel Parsons

8440 Jefferson Highway, Suite 301
Baton Rouge, Louisiana 70809
Attention: David A. Woolridge, Jr.

If to any Purchaser Party: c/o Medical Properties Trust, Inc.
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242
Attention: Edward K. Aldag, Jr.

With a copy to: Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
420 20th Street North, Suite 1600
Birmingham, Alabama 35203
Attention: Thomas O. Kolb, Esq.

Each notice shall, for all purposes, be deemed given and received:

(i) if by hand, when delivered;

(ii) if given by nationally recognized and reputable overnight delivery service, the Business Day on which the notice is actually received by the party; or

(iii) if given by certified mail, return receipt requested, postage prepaid, the date shown on the return receipt.

SECTION 14.3. CALCULATION OF TIME PERIOD. When calculating the period of time before which, within which or following which any act is to be done or step taken, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end of the next succeeding Business Day.

SECTION 14.4. CAPTIONS. The section and paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

SECTION 14.5. ENTIRE AGREEMENT; MODIFICATION. This Agreement, including the Exhibits and Schedules attached hereto, and other written agreements executed and delivered at Closing by the parties hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes any prior oral or written agreements between the parties with respect to the subject matter of this Agreement. It is expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants, and conditions set forth in this Agreement, and that no modification of this Agreement and no waiver of any of its terms and conditions shall be effective unless it is made in writing and duly executed by the parties hereto.

SECTION 14.6. SCHEDULES AND EXHIBITS. All Schedules and Exhibits referred to in this Agreement and attached hereto shall be deemed a part of this Agreement and are hereby incorporated herein by reference.

SECTION 14.7. FURTHER ASSURANCES. From time to time after the Closing and without further consideration, the Seller Parties shall execute and deliver to the Purchaser such instruments of sale, transfer, conveyance, assignment, consent or other instruments as may be reasonably requested by the Purchaser Parties in order to vest all right, title and interest of the applicable Seller Parties in and to the Assets conveyed and delivered at the Closing or as otherwise required to carry out the purpose and intent of this Agreement.

SECTION 14.8. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Executed signature pages to this Agreement may be delivered by facsimile transmission and any such signature page shall be deemed an original.

SECTION 14.9. EXPENSES. The Seller Parties shall pay all costs and expenses incurred by Seller Parties and Purchaser Parties in connection with the transactions contemplated hereby, including, without limitation, all document stamps, transfer, excise, recording, gains, sales, bulk sales, use and similar conveyance Taxes and fees imposed by reason of and associated with the transactions contemplated hereby and by deficiency, interest or penalty asserted with respect thereto, as well as the cost of the survey, the title insurance and all title endorsements required by the Purchaser Parties and its lenders, and all attorneys' fees and expenses.

SECTION 14.10. SYNDICATION. Subject to applicable healthcare regulatory requirements, MPT will offer up to thirty percent (30%) of the equity interests in the Covington Acquisition Sub to local or area physicians at such time following closing as determined by MPT. In compliance with the Healthcare Fraud Laws, MPT and the Seller Parties will work together to decide which physicians receive an opportunity to invest in the Covington Acquisition Sub.

SECTION 14.11. SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, the Seller Parties agree, at no cost to Seller Parties, to cooperate with MPT in connection with any securities offerings and filings and, in connection therewith, the Seller Parties shall furnish MPT with such financial and other information as MPT shall request. MPT shall have the right of access, at reasonable business hours and upon advance notice, to all documentation and information relating to the Real Property and Improvements and have the right to disclose any information regarding this Agreement, the Seller Parties, the Real Property and Improvements and all other agreements executed in connection herewith and all other documents in connection with the transactions contemplated hereby, and such other additional information which MPT may reasonably deem necessary.

SECTION 14.12. BINDING EFFECT. This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns; provided, however, that this Agreement shall not inure to the benefit of any assignee pursuant to an assignment which violates the terms of this Agreement.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the date first written above.

SELLER PARTIES:

COVINGTON HEALTHCARE PROPERTIES, L.L.C.

By: Team Rehab, L.L.C., Manager

By: Grayson Interests, L.L.C., Manager

By: /s/ S. Chris Herndon 6/9/05

S. Chris Herndon, Co-Manager — Date

DENHAM SPRINGS HEALTHCARE PROPERTIES, L.L.C.

By: Team Rehab, L.L.C., Manager

By: Grayson Interests, L.L.C., Manager

By: /s/ S. Chris Herndon 6/9/05

S. Chris Herndon, Co-Manager — Date

GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C.

By: Gulf States Health Services, Inc., Co-Manager

By: /s/ Gregory M. Walker 6/9/05

Gregory M. Walker, Chief Executive Officer — Date

By: Team Rehab, L.L.C., Co-Manager

By: Grayson Interests, L.L.C., Manager

By: /s/ S. Chris Herndon 6/9/05

S. Chris Herndon, Co-Manager — Date

GULF STATES LONG TERM ACUTE CARE OF DENHAM SPRINGS, L.L.C.

By: Gulf States Health Services, Inc., Co-Manager

By: /s/ Gregory M. Walker 6/9/05

Gregory M. Walker, Date
Chief Executive Officer

By: Team Rehab, L.L.C., Co-Manager

By: Grayson Interests, L.L.C., Manager

By: /s/ S. Chris Herndon 6/9/05

S. Chris Herndon, Date
Co-Manager

PURCHASER PARTIES:

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive Officer

MPT OF COVINGTON, LLC
By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive Officer

MPT OF DENHAM SPRINGS, LLC
By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.
Title: President and Chief Executive Officer

EXHIBIT A

Covington Lease

[See Attached.]

EXHIBIT B

Intentionally Omitted

EXHIBIT C

Legal Description of the Covington Land/Real Property

[See Attached.]

EXHIBIT D

Legal Description of the Denham Springs Land/Real Property

[See Attached.]

EXHIBIT 9.2(b)

Covington Deed

[See Attached.]

EXHIBIT 9.2(c)

Intentionally omitted

EXHIBIT 9.2(q)

Lease Guarantee Agreement

[See Attached.]

EXHIBIT 9.2(r)

Assignment of Rents and Leases

[See Attached.]

EXHIBIT 9.2(s)

Security Agreement

[See Attached.]

EXHIBIT 9.2(u)

Legal Opinion of Roedel Parsons

[See Attached.]

EXHIBIT 9.2(x)

Noncompete Agreements

[See Attached.]

Exhibit 9.2(z)

Denham Springs Lease

[See Attached.]

EXHIBIT 9.3(g)

Legal Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.

[See Attached.]

EXHIBIT 10.48

COVINGTON, LA

LEASE AGREEMENT

MPT OF COVINGTON, LLC,
a Delaware limited liability company

Lessor

AND

GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C.,
a Louisiana limited liability company

Lessee

TEAM REHAB, L.L.C.,
A Louisiana limited liability company

and

GULF STATES HEALTH SERVICES, INC.
a Louisiana corporation

Guarantors

Property:

Fifty-Eight (58)-Bed
Long-Term Acute Care Hospital Facility

City of Covington
St. Tammany Parish, Louisiana
June 9, 2005

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LEASE AGREEMENT

This LEASE AGREEMENT (the "Lease") is dated as of the 8th day of June, 2005, and is between MPT OF COVINGTON, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C., a Louisiana limited liability company ("Lessee"), having its principal office at 2325 Weymouth Drive, Suite A, Baton Rouge, Louisiana 70809-1481.

W I T N E S S E T H:

WHEREAS, Lessor is the current owner of that certain immovable property located in Covington, St. Tammany Parish, Louisiana, which immovable property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon; and

WHEREAS, Lessor and Lessee desire to enter into this Lease on the terms and conditions hereinafter provided.

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, and subject to the rights of any tenants, subtenants, lessees or sublessees under any Existing Subleases as described in Section 24.1 below, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the immovable property described on EXHIBIT A attached hereto (the "Land");

(b) the Facility and all buildings, structures, Fixtures (as hereinafter defined), component parts other constructions and other improvements of every kind, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land, and Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all servitudes, easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Land and Leased Improvements; and

(e) all permanently affixed non-medical equipment, machinery, fixtures, and other items of immovable and/or movable property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for a fixed term (the "Fixed Term") commencing on the date hereof (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month period after the Commencement Date, unless sooner terminated as herein provided.

So long as Lessee (i) is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under any of the terms and conditions of this Lease, or (ii) is not in a monetary or financial covenant default or breach, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default or breach, under the Other Lease (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least twelve (12) months prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur under this Lease, or a monetary or financial covenant default or breach shall occur under the Other Lease, and such default or breach is not cured within the applicable time periods as provided herein, or Lessee shall default under the Tenant Leases, Lessee shall be deemed to have forfeited all Extension Options. If Lessee elects not to exercise its option to extend, all subsequent options to extend shall be deemed to have lapsed.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Adjustment Date: January 1 of each year commencing on January 1, 2006.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

Base Rent: As defined in Section 3.1.

Business: The operation of the Facility and the engagement in and pursuit and conduct of any business venture or activity related thereto or related to the provision of "physician admit" services at the Leased Property.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

Code: The Internal Revenue Code of 1986, as amended.

Combined EBITDAR: The EBITDAR of the Combined Tenants as reduced for any inter-company transactions.

Combined Fixed Charges: The sum of Combined Lease Payments and required principal and interest payments pursuant to the Total Debt as reduced for any inter-company transactions.

Combined Lease Payments: The payments of Base Rent required pursuant to this Lease and the Other Lease.

Commencement Date: The date hereof.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) dated March 14, 2005, as amended by letter dated March 17, 2005.

Condemnation, Condemnor: As defined in Section 15.1.

Combined Net Worth: At any time, the sum of the net worth for Guarantors and Combined Tenants and their respective consolidated subsidiaries on a consolidated basis, determined in accordance with GAAP, but modified by adding to assets an amount calculated as follows:

i) for each consolidated and non-consolidated subsidiary of Guarantors, multiply twelve months trailing EBITDAR times four (4); and then

ii) multiply the amount obtained in i) for each subsidiary of Guarantors times the ownership percentage share held by Guarantors in each subsidiary, and then

iii) add together the amounts determined for each subsidiary in ii) to obtain a total amount.

Combined Tenants: The Lessee and Gulf States Long Term Acute Care of Denham Springs, L.L.C., a Louisiana limited liability company.

Consumer Price Index: The Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). If the Consumer Price Index is discontinued or revised during the term of this Lease, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

CPI: The Consumer Price Index as described above.

Credit Enhancements: All security deposits, security interests, letters of credit, pledges, guaranties, prepaid rent or other sums, deposits or interests held by Lessee, if any, with respect to the Leased Property, the Tenant Leases or the Tenants.

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Equity Investment: The Purchase Price.

Events of Default: As defined in Section 16.1 and Section 16.2.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Extraordinary Repairs: All repairs to the facility of every kind and nature, whether interior or exterior, structural or non-structural (including, without limitation, all parking decks and parking lots) which are greater than Ten Thousand Dollars ($10,000.00) in value, as Lessee and/or Lessor may determine to be necessary or appropriate from time to time during the Term.

Facility: The licensed fifty-eight (58)-bed long-term acute care hospital facility and all improvements in connection therewith operated on the Land.

Facility Instrument: A note (whether secured or unsecured), loan agreement, credit agreement, guaranty, security agreement, mortgage, deed of trust or other security agreement pursuant to which a Facility Lender has provided financing to Lessor in connection with the Leased Property or any part thereof, or financing provided to Lessee, if such financing is provided by Lessor or any Affiliate of Lessor, to Lessee, and any and all renewals, replacements, modifications, supplements, consolidations, spreaders and extensions thereof.

Facility Lender: A holder (which may include any Affiliate of Lessor) of any Facility Instrument.

Fair Market Added Value: The Fair Market Value of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIII or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and shall not take into account any purchase options contained herein.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Governmental Entity: Any national, federal, regional, state, local, provincial, municipal, foreign or multinational court or other governmental or regulatory authority, administrative body or government, department, board, body, tribunal, instrumentality or commission of competent jurisdiction.

Guarantors: Solidarily, jointly and severally Team Rehab, L.L.C., a Louisiana limited liability company, and Gulf States Health Services, Inc., a Louisiana corporation.

Gulf States: Gulf States Health Services, Inc., a Louisiana corporation.

Hazardous Materials: Any substance, including without limitation, asbestos or any substance containing asbestos and deemed hazardous under any Hazardous Materials Law, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions or related materials and any items included in the definition of hazardous or toxic wastes, materials or substances under any Hazardous Materials Laws.

Hazardous Materials Laws: All local, state and federal laws relating to environmental conditions and industrial hygiene, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, the Louisiana Environmental Quality Act, La. R.S. 30:2001 et. seq. and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or

Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

Immediate Repairs: Those certain repairs which are required to be made promptly to the Facility as more particularly described on EXHIBIT C attached hereto and made a part hereof by reference and incorporation.

Impositions: Collectively, all civil monetary penalties, fines and overpayments imposed by state and federal regulatory authorities, all Real Estate Taxes, all capital stock and franchise taxes of Lessor, all sales and use taxes, single business, gross receipts, transaction privilege, rent or similar taxes and assessments (including, without limitation, all assessments, charges and costs imposed under the Permitted Exceptions, all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property and/or the Rent (including all interest and penalties thereon due to any failure in payment by Lessee), and all other fees, costs and expenses which at any time prior to, during or in respect of the Term hereof may be charged, assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees and expenses paid in connection with the inspection of the Leased Property and site visits, and fees paid to advisors and brokers, except to the extent such items are paid by Lessee.

Insurance Premiums: As defined in Section 4.4.

Insurance Requirements: All terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy, and such additional insurance which the Lessor may reasonably require.

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease Assignment: That certain Assignment of Rents and Leases to be effective on the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease (as this Lease may be amended, modified and/or restated from time to time) and all other obligations of Lessee to Lessor, or any Affiliate of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor or any Affiliate of Lessor.

Lease Guaranty. That certain Lease Guaranty to be effective on the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease (as this Lease may be amended, modified and/or restated from time to time), on a "solidary" or "joint and several" basis along with Lessee and each Guarantor, and any other obligations of Lessee, Guarantors and any Affiliates of Lessee and Guarantors to Lessor.

Lease Rate: A per annum rate equal to ten and one-half percent (10.5%), subject to the escalator as set forth in Section 3.1(b) hereof.

Lease Year: A twelve (12) month period commencing on the Commencement Date or on each anniversary date thereof, as the case may be.

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least Fifty Million Dollars ($50,000,000).

Lessee: Gulf States Long Term Acute Care of Covington, L.L.C., a Louisiana limited liability company, and its successors and permitted assigns, which, if required by Lessor, shall at all times during the term of this Lease be a Single Purpose Entity created and to remain in good standing as required hereunder for the sole purpose of leasing and operating the Facility.

Lessee's Personal Property: All of Lessee's machinery, medical equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal and/or movable property (including all such items affixed to the Leased Property), and consumable inventory and supplies, currently owned and acquired after the execution of this Lease, used or useful in the operation of the Facility, including without limitation, all operating licenses, but excluding Lessee's accounts receivable.

Lessor: MPT of Covington, LLC, a Delaware limited liability company, and its successors and assigns.

Licenses: As defined in Article XXXIX.

Loan Agreement: That certain Loan Agreement dated of even date herewith among MPT of Denham Springs, LLC, Denham Springs Healthcare Properties, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property.

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

Minimum Net Worth Amount: As defined in Section 8.8.

MPT: Medical Properties Trust, Inc., an Affiliate of Lessor.

Net Worth Parties: As defined in Section 8.8.

Officer's Certificate: A certificate of Lessee signed by the officer(s) or representative(s) authorized to so sign by the governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Lease: The lease entered into between Denham Springs Healthcare Properties, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C.

Overdue Rate: On any date, a per annum rate equal to four percentage points (4%) in excess of the then applicable Lease Rate.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, or any other sums payable under this Lease.

Permitted Exceptions: As defined in Article I.

Person: An individual, a corporation, a limited liability company, a general or limited partnership, an unincorporated association, a joint venture, a Governmental Entity or another entity or group.

Primary Intended Use: As defined in Article VII.

Prime Rate: The annual rate announced by Citibank in New York, New York, to be the prime rate for 90-day unsecured loans to its United States corporate borrowers of the highest credit standing, as in effect from time to time.

Purchase Agreement: That certain Purchase, Sale and Loan Agreement dated as of June 9, 2005, by and among Lessor, Lessee, MPT of Denham Springs, LLC, MPT Operating Partnership, L.P., Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., relating to the acquisition of the Leased Property and the leasing of such property by Lessor to Lessee.

Purchase Price: The Initial Purchase Price, plus all costs and expenses not included in the Initial Purchase Price incurred or paid in connection with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees and expenses paid in connection with the inspection of the Leased Property, and paid to advisors and brokers (except to the extent such items are paid by Lessee), and shall include the costs of Capital Additions financed by Lessor (and Lessor's Affiliates) as provided in Section 10.3 of this Lease (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Removal Notice: As defined in Section 16.2.

Real Estate Taxes: All real estate taxes, assessments and special assessments and dues which are levied or imposed upon the Leased Property during the Term.

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof) and the Additional Charges.

Secured Personal Property: As defined in Section 16.8 hereof

Security Agreement: That certain Security Agreement to be effective on the Commencement Date executed and delivered by Lessee to Lessor, pursuant to the terms of which Lessee has granted to Lessor a first lien and security interest in all of Lessee's rights under this Lease (as this Lease may be amended, modified and/or restated from time to time) and a second position lien and security interest to all of Lessee's Personal Property (excluding Lessee's accounts receivable and the Licenses).

Single Purpose Entity: An entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Facility and conducting the operation of the Business, (ii) conducts business only in its own name, (iii) does not engage in any business other than the ownership and/or leasing of all or any portion of the Facility and the operation of the Business, (iv) does not hold, directly or indirectly, any ownership interest (legal or equitable) in any entity or any real or personal property other than the interest in the Facility which it owns in the Facility and the other assets incident to the operation of the Business, (v) does not have any debt other than as permitted by this Lease or arising in the ordinary course of the Business and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, other than as approved by Lessor, (vi) has its own separate books, records, accounts, financial statements and tax returns (with no commingling of funds or assets), (vii) holds itself out as being a company separate and apart from any other entity, and (viii) maintains all corporate formalities independent of any other entity.

Special Reserve: As defined in Section 9.4 hereof.

Statements of Cash Flow: For any fiscal year or other accounting period for Lessee or Guarantors and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP and as may be modified as set forth herein.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Team Rehab: Team Rehab, L.L.C., a Louisiana limited liability company.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant Leases: All leases, subleases, pharmacy leases and other rental agreements (written or verbal, now or hereafter in effect), if any, including, without limitation, the Existing Subleases as described in Section 24.1 hereof, if any, that grant a possessory interest in and to any space in or any part of the Leased Property, or that otherwise have rights with regard to the Leased Property, and all Credit Enhancements, if any, held in connection therewith.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Total Capitalization: Total Debt plus all capital account or stated capital balances according to GAAP.

Total Debt: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities as shown on the liability side of a balance sheet, including any such indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, but excluding any nonrecourse indebtedness and excluding any current liabilities.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Use or Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the terms "Unsuitable for Its Use" or "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, the Facility cannot, within sixty (60) days from the date of such damage or destruction or partial Taking, be operated at substantially the same level on a commercially practicable basis for its Primary Intended Use, taking into account, all relevant factors, and the effect of such damage or destruction or partial Taking.

ARTICLE III

RENT

3.1 BASE RENT. During the Term, Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firm or entity as Lessor from time to time may designate in writing, Base Rent as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in a per annum amount equal to ten and one-half percent (10.5%) multiplied by the Purchase Price, which as of the date hereof is an annual amount of One Million Two Hundred Seven Thousand Five Hundred and 00/100 Dollars ($1,207,500.00). Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the 10th day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month).

(b) ADJUSTMENT OF BASE RENT: Commencing on January 1, 2006, and on each January 1 thereafter (each an "Adjustment Date") during the term of this Lease, the Base Rent shall be increased by an amount equal to the greater of (A) two and one-half percent (2.5%) per annum (the "Rate of Escalation") of the prior year's Base Rent, or (B) the percentage by which the CPI for the month of November for the year just prior to the Adjustment Date shall have increased over the CPI for the previous November prior to the previous Adjustment Date. On the first Adjustment Date, the Rate of Escalation shall be the percentage by which the CPI for the month of November 2005 shall have increased over the CPI for the month of March 2005. If the previous year's Base Rent is for a partial year, it shall be annualized. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent as specified herein are made by multiplying the Purchase Price by the Lease Rate. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and all other amounts, liabilities, obligations and Impositions related to the ownership, use, possession and operation of the Leased Property, including, without limitation, all costs of owning and operating the Facility, all Real Estate Taxes, Insurance Premiums, maintenance and capital improvements, all violations and defaults under any of the Permitted Exceptions, all licensure violations, all violations of and defaults under any of the Permitted Exceptions, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and reimburse Lessor and/or its Affiliates for all such amounts paid by Lessor and promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent. If any installment of Base Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due. If at any time during the Term Lessor requires Lessee to pay into escrow or make deposits to Lessor (or to a Facility Lender, if requested by Lessor) relating to any part of the Additional Charges (including, the Impositions, Real Estate Taxes and/or Insurance Premiums), Lessee shall pay to Lessor (or directly to a Facility Lender, if requested by Lessor), upon written request from Lessor, the amounts as and when required by Lessor (or the Facility Lender). All sums paid into escrow or deposits made shall not bear interest and shall not be commingled with Lessor's books, accounts and funds; however, upon a default or an Event of Default under this Lease, the escrowed funds or deposits may be applied by Lessor (or the Facility Lender) to all sums owed by Lessee to Lessor (or to sums owed to Facility Lender).

3.3 ABSOLUTE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent and the payments of Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, except as may be expressly set forth herein, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Intentionally Omitted.

3.5 ADJUSTMENTS. Lessor and Lessee acknowledge that to the extent Lessee fails to reimburse to Lessor immediately upon demand, any costs and expenses which otherwise would be included in the definition of Purchase Price, then the Lessor shall recalculate the Purchase Price to include such unreimbursed costs and expenses and deliver to Lessee a letter confirming the Base Rent to be paid hereunder and such letter shall constitute an amendment to the provisions of this Lease.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing or assessing authorities, unless, in the case of escrows and deposits required to be paid to Lessor or Facility Lender as provided in Section 3.2 herein, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII; and, subject to the requirement to pay full amounts of escrows and deposits as required in Section 3.2 herein) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates, unless Lessee purchases the Leased Property pursuant to the purchase options expressly provided herein, shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in connection with the Leased Property during the Term, including, without limitation, all impact and tap fees necessary for the operation of the Facility.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term; provided, however, if required by Lessor pursuant to Section 3.2 of this Lease, such premiums shall be paid as required under Section 3.2 herein.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute net lease. Except as otherwise provided elsewhere in this Lease, Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the

Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated or suspended pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee, at its expense, shall install, affix, assemble and place on the Leased Property, the Lessee's Personal Property (other than the Licenses), which Lessee's Personal Property shall be subject to the security interests and liens as provided in Section 16.8 of this Lease. Lessee shall not, without the prior written consent of Lessor (which consent may be withheld in the event Lessee is in default hereunder) remove any of the Lessee's Personal Property from the Leased Property except in the ordinary course of business and not material to the Primary Intended Use. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. If removal is authorized by Lessor as provided herein, all of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property and repair all damage to the Leased Property caused by the removal of Lessee's Personal Property, normal wear and tear excepted, whether effected by Lessee, Lessor, any Lessee lender, or any Lessor lender.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition, assumes all responsibility for the condition of the Leased Property and agrees to perform all repairs and maintenance as provided in Article IX of this Lease. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. Lessee warrants and represents that (a) it has been in possession of the Leased Property since April 7, 2004, (b) the Leased Property is in compliance with all of the requirements, restrictions and conditions as set forth in the Permitted Exceptions and with all rules, regulations, orders and ordinances of all Governmental Entities, and (c) the use of the Leased Property for the Primary Intended Use will not violate any of the Permitted Exceptions or any rule, regulation, order or ordinance of any Governmental Entity. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT. ACCORDINGLY, LESSEE WAIVES ALL REPRESENTATIONS AND WARRANTIES ON THE PART OF LESSOR, WHETHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ALL WARRANTIES THAT THE LEASED PROPERTY IS FREE FROM VICES, DEFECTS AND DEFICIENCIES, WHETHER HIDDEN OR APPARENT, AND ALL WARRANTIES UNDER LA. C.C. ARTS. 2682, 2684, 2691, 2696-2699, OR ANY OTHER PROVISION OF LOUISIANA LAW IN WHICH THERE IS AN EXPRESS OR IMPLIED WARRANTY OR OBLIGATION ON THE PART OF LESSOR THAT IS NOT SET OUT IN THIS LEASE, BUT ONLY TO THE EXTENT NOT PROHIBITED BY LOUISIANA LAW.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals and Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a fifty-eight (58) bed long-term acute care hospital facility.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use or cause to be used the Leased Property and the improvements thereon only as a fifty-eight (58)-bed long-term acute care hospital facility and for such other legal ancillary uses as may be necessary in connection with or incidental to such uses, subject to all covenants, restrictions and easements (including those set forth in the Permitted Exceptions) relating to the Facility (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use, nor change the number or type of beds within the Facility, nor reconfigure or rearrange any portion of the Leased Property or the Facility without the prior written consent of Lessor, which consent shall not be unreasonably withheld. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only as a provider of healthcare services in accordance with the Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

(d) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Lessee cause or permit any nuisance thereon.

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

(f) Lessee agrees that during the entire term of this Lease, Lessor shall have the right and option to erect a sign or signs on the Leased Property stating that the Leased Property is owned by the Lessor (and, if applicable, that Lessor or its Affiliates is the lender for the Facility). Such signs shall be in sizes, and shall be erected in locations, reasonably acceptable to Lessor and approved by Lessee, which approval shall not be unreasonably withheld, conditioned or delayed.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no default, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default, has occurred and is continuing under this Lease, the Tenant Leases or the Other Lease, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor (a) grant easements/servitudes and other rights in the nature of easements/servitudes, (b) release existing easements/servitudes or other rights in the nature of easements/servitudes which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications and transfers (to the extent of its interest in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property and all equipment and machinery used in or in connection with the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property, the use of all equipment and machinery used in connection with the Leased Property, and the maintenance, alteration, and operation of the same, and all parts thereof, shall at all times conform to all applicable local, state and federal laws, ordinances, rules and regulations.

8.3 HAZARDOUS MATERIALS. Except for Hazardous Materials generated in the normal course of business regarding the Primary Intended Use (which Hazardous Materials shall be handled and disposed of in compliance with all Hazardous Materials Laws), no Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Leased Property. No activity shall be undertaken on the Leased Property which would cause (i) the Leased Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Leased Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Leased Property within the meaning of, or otherwise bring the Leased Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Leased Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Leased Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Leased Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the provisions of the Hazardous Materials Laws. Lessee shall, at its sole cost, expense, risk and liability, remove or cause to be removed from the Leased Property all Hazardous Materials generated in connection with the Primary Intended Use and as found in hospital and healthcare facilities, including, without limitation, all infectious waste materials, syringes, needles and any materials contaminated with bodily fluids of any type, character or description of whatsoever nature in accordance with all Hazardous Materials Laws. Lessee shall not dispose of any such infectious waste and Hazardous Materials in any receptacles used for the disposal of normal refuse. As soon as practicable following the date hereof, Lessee, at its sole cost and expense, shall remove the existing above-ground storage tank located at the Leased Property.

8.4 HEALTHCARE LAWS. Lessee represents, warrants and covenants to Lessor that this Lease and any and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees that in the event it is determined that this Lease, any sublease or any other agreement is in violation of the Healthcare Laws, the same shall be renegotiated so that same are in compliance with all Healthcare Laws. All such subleases and other agreements shall contain provisions consistent with the foregoing. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations. Lessee hereby agrees to indemnify and defend, at Lessee's sole cost and expense, and hold Lessor, its successors and assigns harmless from and against and to reimburse Lessor and its successors and assigns with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor, its successors and assigns, at any time and from time to time by reason or arising out of any breach by Lessee of any of the provisions of this Section 8.4.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee represents, warrants and covenants to Lessor that as of the date hereof: (i) Lessee is a limited liability company duly organized and validly existing under the laws of the State of Louisiana, has duly qualified to do business in the State of Louisiana, and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of Lessee, enforceable in accordance with their terms, (ii) neither the entering into of this Lease or the other documents referred to herein nor the performance by Lessee of its obligations hereunder or under the other documents referred to herein will violate any provision of law or any agreement, indenture, note or other instrument binding upon Lessee, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of Lessee, threatened against or affecting Lessee or any of its Affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of Lessee or the ability of Lessee to perform its obligations under this Lease or the other documents referred to herein, (v) Lessee and each of its Affiliates is in compliance with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities, and (vi) Lessee has obtained and delivered copies thereof to Lessor on the Commencement Date all certificates of need, Medicare billing numbers, other licenses and agreements required for the operation of the Facility and all medical equipment used in connection with the Facility.

8.6 SINGLE PURPOSE ENTITY. Lessee represents, warrants, covenants and agrees that Lessee is, at all times since its formation has been, and shall remain at all times during the term of this Lease, a Single Purpose Entity created and to remain in good standing for the sole purpose of leasing and operating the Facility in accordance with the terms of this Lease. Simultaneously with the execution of this Lease, and as requested by Lessor at other times during the term of this Lease, Lessee shall provide Lessor evidence that Lessee is a Single Purpose Entity and is in good standing in the state of its organization and in the state in which the Leased Property is located.

8.7 ORGANIZATIONAL DOCUMENTS. Lessee shall not permit or suffer, without the prior written consent of Lessor (i) any material amendment or modification of its Organizational Documents (as defined below) which changes Lessee's status as a Single Purpose Entity, (ii) any dissolution or termination of its existence, or (iv) change in its state of formation or organization or its name. Lessee has, simultaneously with the execution of this Lease, delivered to Lessor a true and complete copy of its articles of organization and limited liability company operating agreement creating Lessee, and all other documents creating and governing the Lessee (collectively, the "Organizational Documents"). Lessee warrants and represents that the Organizational Documents (i) were duly executed and delivered, (ii) are in full force and effect and binding upon and enforceable in accordance with their terms, (iii) constitute the entire understanding among the partners and members or equity owners of Lessee, and (iv) no breach exists under the Organizational Documents and no act has occurred and no condition exists which, with the giving of notice or the passage of time or both would constitute a breach under the Organizational Documents.

8.8 COMBINED NET WORTH. As of the Commencement Date and at all times throughout the Term, the Combined Tenants and the Guarantors (collectively the "Net Worth Parties") shall maintain a Combined Net Worth of Nine Million and No/100 Dollars ($9,000,000.00) (the "Minimum Net Worth Amount"). On the Commencement Date and at such other times during the Term as set forth herein, the Net Worth Parties shall deliver to Lessor unaudited balance sheets of each of the Net Worth Parties confirming that the Minimum Net Worth Amount is being maintained. The unaudited balance sheets delivered on the Commencement Date must be dated on or after March 31, 2005. In the event the Combined Net Worth of the Net Worth Parties at any given time is greater than the Minimum Net Worth Amount, then the Net Worth Parties shall deliver unaudited balance sheets of the Net Worth Parties on a quarterly basis within thirty (30) days of the end of each calendar quarter. In the event the Combined Net Worth of the Net Worth Parties at any given time is less than the Minimum Net Worth Amount, then the Net Worth Parties shall deliver unaudited balance sheets of the Net Worth Parties on a monthly basis within thirty (30) days of the end of each month if and until such time that the Combined Net Worth of the Net Worth Parties for any given unaudited balance sheets delivered to Lessor is more than the Minimum Net Worth Amount, at which time the Net Worth Parties shall deliver unaudited balance sheets of the Net Worth Parties on a quarterly basis within thirty (30) days of the end of each calendar quarter. The unaudited balance sheets required to be delivered hereunder on a quarterly basis shall be certified as true and correct, with the possible exception of immaterial ledger entries, by the chief financial officer (or other officer acceptable to Lessor) of each of the Net Worth Parties.

ARTICLE IX

REPAIRS; RESERVE; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Notwithstanding anything contained herein to the contrary, Lessee shall make additions, modifications and remodeling to the Leased Property which are not Capital Additions from time to time which are necessary for the Primary Intended Use and which permit the Lessee to comply fully with its obligations set forth in this Lease, provided that any such action will be undertaken expeditiously, in a workmanlike manner and will not significantly alter the character or purpose or detract from the value or operating efficiency of the Leased Property and will not significantly impair the revenue producing capability of the Leased Property or adversely affect the ability of the Lessee to comply with the provisions of this Lease. Such additions, modifications and remodeling shall, without payment by Lessor at any time, be included under the terms of this Lease and shall be the property of Lessor. Lessee shall notify the Lessor of any and all repairs, improvements, additions, modifications and remodeling made to the Leased Property in excess of Ten Thousand and 00/100 Dollars ($10,000.00) and obtain consent from Lessor prior to making such repairs, improvements, additions, modifications and remodeling, except as set forth on Schedule 10.1.

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof, except as may be imposed by law without the consent or agreement of Lessee.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as improved, repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

9.2 RESERVE DEPOSIT FOR EXTRAORDINARY REPAIRS. On the Commencement Date, Lessee shall make a deposit in the amount of Thirty-Four Thousand Dollars ($34,000.00) to a reserve (the "Reserve") to be held by Lessor in an interest bearing account. The amount in the Reserve, including interest, shall be held by Lessor to secure Lessee's obligations to make repairs as provided in this Lease, and, in the event Lessee fails to make any such repairs within ten (10) days following notice and demand from Lessor, Lessor may use the amounts in the Reserve to make such repairs. Within thirty (30) days of the use of any or all of the Reserve, Lessee shall be required to replenish the Reserve in an amount needed to bring the Reserve up to a balance of Thirty-Four Thousand Dollars ($34,000.00). Lessee acknowledges that the obligation of Lessee to make repairs as required under this Lease, including, without limitation, as required under Section 9.1 hereof, shall not be limited in any way by the depositing of the Reserve. Lessee hereby grants to Lessor a security interest in all monies deposited into the Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Reserve. So long as no default has occurred under any of the terms hereof, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default hereunder, upon the expiration of this Lease any amounts remaining in the Reserve, after the payment of and the reimbursement for the Extraordinary Repairs on the Facility shall be returned to Lessee.

9.3 ENCROACHMENTS; RESTRICTIONS. If any of the Leased Improvements shall, at any time, encroach upon any property, street or right-of-way adjacent to the Leased Property, or shall violate the agreements or conditions contained in any federal, state or local law, restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or shall impair the rights of others under any servitude or easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility without such violation, encroachment or impairment. Any such alteration shall be made in conformity with the applicable requirements of Article X. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and notwithstanding anything to the contrary herein Lessee shall be entitled to a credit to the Base Rent for any sums paid by Lessee and recovered by Lessor under any such policy of title or other insurance.

9.4 SPECIAL RESERVE FOR IMMEDIATE REPAIRS. On the Commencement Date, Lessee shall make a deposit to a special reserve (the "Special Reserve") at a financial institution of the Lessor's choosing in the amount of One Hundred Fifty Thousand Two Hundred Forty-Seven and No/100 Dollars ($150,247.00), to be used for the Immediate Repairs. The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. The amount in the Special Reserve shall be used to pay for the Immediate Repairs and the parties shall take all necessary actions to cause such Immediate Repairs to be made as soon as practicable following the date hereof. Lessee hereby grants to Lessor a security interest in all monies deposited into the Special Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Special Reserve. So long as no default has occurred under any of the terms hereof, and no event has occurred which with the giving of notice or the passage of time or both would constitute a default hereunder, any amounts remaining in the Special Reserve, after the payment of and the reimbursement for the costs of the Immediate Repairs, shall be returned to Lessee.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) Except as set forth on EXHIBIT C attached hereto, if no Event of Default shall have occurred or be continuing under this Lease, the Other Lease and the Tenant Leases, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, in connection with such Capital Addition, without the prior written consent of Lessor. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor for Lessor's prior approval in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) submit to Lessor for Lessor's prior approval such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, except as set forth on Schedule 10.1(a), no Capital Additions shall be made without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect the Leased Property and/or any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

(b) There shall be no adjustment in the Base Rent by reason of any such Capital Addition.

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall, if Lessee does not purchase the Leased Property as provided herein, compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

(i) By purchasing all Capital Additions paid for by Lessee from Lessee for cash in the amount of the Fair Market Added Value of all such Capital Additions paid for or financed by Lessee; or

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions being made with the proceeds of such loan, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, including, without limitation, Facility Instruments, (iv) the term of the loan shall not extend beyond the term of this Lease, (v) such lender executes all subordination and other documents and certificates required by the Facility Lenders, and (vi) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

(b) If Lessor agrees to finance the proposed Capital Addition, Lessee shall provide Lessor with the following prior to any advance of funds:

(i) all customary or other required loan documentation, if the Capital Addition is to be financed through the incurrence of debt;

(ii) any information, certificates of need, regulatory approvals of architectural plans and other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that

Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased to take into account an adjustment to the Purchase Price in an amount equal to the equity contributed by Lessor to finance the Capital Addition or, in the case of debt financing, the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) an act of cash sale conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition Costs; and

(ix) such other certificates (including, but not limited to, endorsements increasing the insurance coverage, if any, at the time required by Section 13.1), documents, contracts, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the governing body of Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Lessor and Lessee agree that Lessee shall have the right, following the prior consultation with Lessor, to designate the general contractor, developer, architect, construction company, engineer and other parties which will participate in the development of the Capital Addition. Lessor and Lessee further agree that Lessee shall control the preparation and negotiation of the definitive agreements with such parties and

Lessee will give Lessor an opportunity to review and approve such definitive agreements prior to their execution. The provisions of this subparagraph (c) shall not apply to any items on Schedule 10.1(a).

(d) Upon making a Request to finance a Capital Addition, and in the event such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all commercially reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition. In the event such financing is not actually consummated, Lessee shall pay or agree to pay, upon demand, all commercially reasonable costs and expenses of Lessor which have been paid or incurred by it in connection with the financing of the Capital Addition.

10.4 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any servitudes or easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (g) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, Lessee's Personal Property other than as previously disclosed to Lessor herein, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of the Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, after two (2) business days prior written notice to Lessor, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars ($50,000), then, in any such event, (i) provided the Combined Net Worth of Lessee and/or Guarantors is then in excess of Twenty-Five Million Dollars ($25,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Combined Net Worth of Lessee and/or Guarantors is not then in excess of Twenty-Five Million Dollars ($25,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities, which the parties hereto agree shall include only those coverages and endorsements currently maintained by Lessee or Management Company as set forth on Schedule 13.1. The policies of insurance relating to property coverages must name Lessor (and any other entities affiliated with Lessor as Lessor shall deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor, (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In addition, the policies shall name as an additional insured all Facility Lenders, if any, by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Lessor and each affected Facility Lender. Evidence of insurance and/or Impositions shall be deposited with Lessor and, if requested, with any Facility Lender. If any provision of any Facility Instrument requires deposits of insurance to be made with such Facility Lender, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Lender or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Lender.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be required from time to time by any Facility Lender and shall further at all times maintain adequate worker's compensation insurance coverage for all persons employed by Lessee on the Leased Property, in accordance with the requirements of applicable local, state and federal law. In the event Lessor and Lessee mutually agree for Lessee to purchase and maintain additional insurance to the insurance described above, then the premium(s) for said additional insurance shall not be included in the calculations for the financial covenants set forth in Section 16.2 herein. In addition to the insurance described above, Lessor shall not be prohibited from purchasing and maintaining such additional insurance as it may determine, in its sole discretion, to be necessary to protect its interest in the Leased Property. Notwithstanding anything to the contrary herein, Lessee shall reimburse Lessor for the actual cost of this additional insurance purchased and maintained by Lessor, but only to the extent the coverage limits and endorsements of the additional insurance is equal to or less than the coverage limits and endorsements of the insurance maintained by Lessee under Section 13.1. Any reimbursement amounts paid by Lessee shall not be included in the calculations for the financial covenants set forth in Section 16.2 herein.

13.3 WAIVER OF SUBROGATION. All insurance policies to be obtained by Lessee as required hereunder, including, without limitation, insurance policies covering the Leased Property, the Fixtures, the Facility, and/or Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the Lessor. Lessee shall obtain insurance policies which will include such a waiver clause or endorsement regardless of whether same is obtainable without extra cost, and in the event of such an extra charge Lessee shall pay the same.

13.4 FORM OF INSURANCE. Except as may be limited in Section 13.2 with respect to the purchase of additional insurance by Lessor, Lessee shall pay all of the premiums for all of the policies of insurance referred to in this Article, and shall deliver such original policies, or in the case of a blanket policy, a copy of the original policy certified in writing by a duly authorized agent for the insurance company as a "true and certified" copy of the policy, to the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies (if allowed hereunder) to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor sixty (60) days' prior written notice (at Lessor's notice address as specified in this Lease (the "Lessor's Notice Address")) before the policy or policies in question shall be altered, allowed to expire or canceled. The parties hereto agree that all insurance policies, endorsements and certificates which provide that the insurer will "endeavor to" give notice before same may be altered, allowed to expire or canceled will not be acceptable to Lessor. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by the Lessee hereunder shall provide (i) that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, L.P., Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and (ii) that in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address, with a simultaneous copy to MPT Operating Partnership, L.P., Attention: Its President, 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242.

13.5 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility Lenders, are included therein as additional insureds and the loss is payable under said insurance in the same manner as losses are required to be payable under this Lease. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for the reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof. In the event that Lessee is permitted or required to reconstruct or repair the Leased Property, the insurance proceeds shall be made available to Lessee for such reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof. Said insurance proceeds shall be paid out by Lessor (if Lessee is permitted or required to reconstruct or repair the Leased Property, such proceeds shall be paid to or on behalf of Lessee), from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility is thereby rendered Unsuitable for its Use, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) so long as Lessee is not in default of any kind, and no event has occurred which with the giving of notice or the passage of time, or both, would constitute such a default, under this Lease, the Other Lease and the Tenant Leases, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction, or (iii) so long as the damage or destruction was not caused by the negligence of Lessee, its agents, servants, employees or contractors, terminate this Lease. In the event Lessee terminates this Lease as provided in Section 14.2(a)(iii), Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith. In the event Lessee purchases the Leased Property pursuant to Section 14.2(a)(ii), the terms set forth in Article XVIII shall apply except that the Fair Market Value Purchase Price shall be reduced by the amount of the insurance proceeds, which shall be retained by Lessor, and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee. In the event Lessee elects to restore the Facility under Section 14.2(a)(i), Lessor shall promptly reimburse Lessee for all documented expenses thereof, up to the amount of the insurance proceeds collected by Lessor.

(b) If during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction and Lessor shall promptly reimburse Lessee for all documented expenses thereof up to the amount of the insurance proceeds collected by Lessor. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after good faith diligent efforts to do so, in order to be able to perform all required repair and restoration work and to operate the Facility for its Primary Intended Use in substantially the same manner as immediately prior to such damage or destruction, so long as Lessee is not in default of any kind, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease, the Other Lease and the Tenant Leases, Lessee shall have the option, by giving written notice to Lessor within sixty (60) days following the date of such damage or destruction, to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction. In the event Lessee purchases the Leased Property pursuant to this Section 14.2(b), the terms set forth in Article XVIII shall apply except that the Fair Market Value Purchase Price shall be reduced by the amount of the insurance proceeds, which shall be retained by Lessor, and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility Lender if required) to be held in trust together with any other insurance proceeds for application to the cost of repair and restoration. In the event that Lessee agrees to exercise any right under this Section 14.2 to purchase the Leased Property, any such contribution by Lessee shall be credited toward the amount due by Lessee to Lessor for said purchase.

14.3 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION NOT COVERED BY INSURANCE. Except as provided in Section 14.7 below, if during the Term, the Facility is totally or materially destroyed from a risk not covered by the insurance described in Article XIII but that would have been covered if Lessee carried such insurance specified by Lessor in writing under Article XIII, then whether or not such damage or destruction renders the Facility Unsuitable for its Use, Lessee shall, at Lessee's sole cost and expense, restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease.

14.4 LESSEE'S PERSONAL PROPERTY. All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property or Capital Additions financed by Lessee shall be paid to Lessee to pay the cost of repairing or replacing the damage to Lessee's Personal Property or the Capital Additions financed by Lessee. However, any such Personal Property which, in Lessee's reasonable opinion, was obsolete or is no longer necessary for the Primary Intended Use, need not be replaced or may be replaced by more modern or appropriate Personal Property.

14.5 RESTORATION OF LESSEE'S PROPERTY. If Lessee is required or elects to restore the Facility as provided in Sections 14.2 or 14.3, Lessee shall also restore all alterations and improvements made by Lessee, Lessee's Personal Property and all Capital Additions paid for by Lessee. In the event Lessor receives any insurance proceeds for such alterations and improvements, then Lessor shall promptly reimburse Lessee for all documented expenses thereof, up to the amount of the insurance proceeds collected by Lessor. Any such alterations, improvements, Personal Property or Capital Additions which, in Lessee's reasonable opinion, were obsolete or are no longer necessary for the Primary Intended Use, need not be replaced or may be replaced by more modern or appropriate alterations, improvements, Personal Property or Capital Additions.

14.6 NO ABATEMENT OF RENT. Unless rendered Unsuitable for Its Primary Intended Use, this Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated, unless the Facility cannot be returned to substantially the level of service existing prior to any partial or total destruction within thirty (30) days from the date of such partial or total destruction. In that event, the Base Rent shall, to the extent not covered by insurance paid to Lessor, be suspended until such time as the Facility is returned to substantially the level of service existing prior to such destruction; provided, however, such abatement shall not continue for a period longer than sixty (60) days from the date of such destruction.

14.7 DAMAGE NEAR END OF TERM. Notwithstanding any provisions of Sections 14.2 or 14.3 to the contrary, if damage to or destruction of the Facility occurs during the last twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee (a) exercises an available option to extend the Term for one Extended Term within thirty (30) days following receipt of such termination notice, or (b) so long as Lessee is not in default of any kind, and no event has occurred which with the giving of notice or the passage of time, or both, would constitute such a default, under this Lease, the Other Lease and the Tenant Leases, purchases the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction. In the event Lessee purchases the Leased Property pursuant to this Section 14.7, the terms set forth in Article XVIII shall apply except that the Fair Market Value Purchase Price shall be reduced by the amount of the insurance proceeds which shall be retained by Lessor, and the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee

14.8 TERMINATION OF RIGHT TO PURCHASE AND SUBSTITUTION. Any termination of this Lease pursuant to this Article XIV shall cause any right to purchase granted to Lessee under any other provisions of this Lease to be terminated and to be without further force and effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

14.10 PURCHASE OPTION SUBORDINATE TO FACILITY INSTRUMENT. Notwithstanding any provision set forth in this Article XIV to the contrary, Lessee's purchase rights as set forth in this Article XIV are and shall be subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Article XIV upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the written agreement requested within such five (5) day period, then in such event, Lessee's purchase rights under this Article XIV shall be deemed forfeited and of no further force or effect.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuitable for its Primary Intended Use. If, however, such Taking substantially impairs Lessee's ability to use the Facility for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) so long as Lessee is not in default of any kind, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default, under the terms of this Lease, the Other Lease and the Tenant Leases to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessee exercises the option to purchase the Leased Property pursuant to this Section 15.4, the terms set forth in Article XVIII shall apply and the sale/purchase must be closed within thirty (30) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee. So long as Lessee does not exercise its option to purchase as set forth in this Section 15.4, if the Facility cannot be returned to substantially the level of service existing prior to any partial taking within thirty (30) days from the Date of Taking, the Base Rent due hereunder, to the extent not covered by an Award paid to Lessor, shall be suspended until such time as the Facility is returned to substantially the level of service existing prior to such Taking; provided, however, such suspension shall not continue for a period longer than sixty (60) days from the Date of Taking.

15.5 RESTORATION. If there is a partial Taking of the Leased Property and this Lease remains in full force and effect pursuant to Section 15.4, Lessee shall accomplish all necessary restoration, subject to the reimbursement provisions as provided in Section 15.6.

15.6 AWARD DISTRIBUTION. In the event Lessee exercises the purchase option as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In the event of the Taking of a portion of the Leased Property by Condemnation and Lessee restores the Leased Property, Lessor shall promptly reimburse Lessee for all documented expenses thereof, up to the amount of the Award received by Lessor. Any credit of the Award remaining after such restoration is completed shall be promptly paid to Lessee. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Lender, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

(b) A sum attributable to Lessee's Personal Property and any reasonable removal and relocation costs included in the Award.

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility Lenders, its portion of the Award shall be used for such restoration and it shall hold such portion of the Award in trust, for application to the cost of the restoration. Notwithstanding any provision of this Lease to the contrary, any Award retained by Lessor and not used for restoration shall be taken into account as an amount received by Lessor for purposes of calculating the purchase price as defined in Section 35.1.

15.7 TEMPORARY TAKING. The Taking of the Leased Property, or any part thereof, by military or other public authority shall constitute a Taking by Condemnation only when the use and occupancy by the Taking authority has continued for longer than sixty (60) days. During any such sixty (60) day period all the provisions of this Lease shall remain in full force and effect and the Base Rent shall not be abated or reduced during such period of Taking unless the temporary Taking substantially impairs Lessee's ability to use the Facility for its Primary Intended Use. In that event, Base Rent due hereunder, to the extent not covered by an Award paid to Lessor, shall be suspended until such time as the temporary Taking no longer impairs Lessee's ability to use the Facility for its Primary Intended Use; provided, however, such suspension shall not continue for a period longer than sixty (60) days from the Date of Taking.

15.8 PURCHASE OPTION SUBORDINATE TO FACILITY INSTRUMENT. Notwithstanding any provision set forth in this Article XV to the contrary, Lessee's purchase rights as set forth in this Article XV are and shall be subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Article XV upon delivery of five (5) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the written agreement requested within such five (5) day period, then in such event, Lessee's purchase rights under this Article XV shall be deemed forfeited and of no further force or effect.

ARTICLE XVI

DEFAULT

16.1 EVENTS OF DEFAULT. The occurrence of any one or more of the following events (individually, an "Event of Default") shall constitute Events of Default or defaults hereunder:

(a) a monetary or financial covenant default or breach shall occur under the Other Lease or Loan Agreement that is not cured within the applicable cure period as provided therein, or

(b) if Lessee shall fail to make a payment of the Rent due and payable under this Lease when the same becomes due and payable or, if Lessee shall fail to make any other monetary payment due and payable by Lessee under this Lease, in each case which nonpayment is not cured within five (5) days after written notice from Lessor; provided, however, that Lessor shall not be required to give more than two (2) written notices per calendar year, or

(c) if Lessee shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee within a period of thirty (30) days after receipt by Lessee of written notice thereof from Lessor (provided, however, in no event shall Lessor be required to give more than two (2) written notices per calendar year for a non-monetary default), unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole of its property, or

(v) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof.

(e) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated and such has a material impact on Lessee and/or any Guarantor, or

(f) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(g) the abandonment or vacation of the Leased Property by Lessee, or Lessee fails to continuously operate the Facility in accordance with the terms of this Lease and fails to pay the Rent; provided, however, that, for a ninety (90) day period following the date of such abandonment or vacation (subject to extension as provided below), such event shall not constitute an Event of Default hereunder, provided:

(i) Lessee is at all times in compliance with all monetary payment provisions of this Lease, including, without limitation, the payment of Rent, the payment of amounts under the Loan Agreement, the payment of rent under the Other Lease and the payment of any indemnification obligations hereunder or under the Purchase Agreement or Other Lease;

(ii) The Lessee is in compliance with the provisions of Section 16.2(a) and 16.2(b) hereof;

(iii) The Lessee is maintaining the Leased Property in good order and repair;

(iv) The Lessee uses its best efforts in cooperation with Lessor to sell the Leased Property for its highest value;

(v) The Lessee uses its best efforts in cooperation with Lessor to find a replacement tenant, provided, however that, even if a replacement tenant is found, the Lessee shall continue to guarantee the full payment and performance of this Lease, and

(vi) The Lessee complies with Section 42.5 hereof with respect to any replacement facility,

provided , however, that in the event the abandonment or vacation of the Leased Property by Lessee is caused by the exercise of any governmental power, whether by legal proceedings or otherwise, and Lessee, within ninety (90) days of such notification by the governmental power, expresses its intent in writing to Lessor to resume operations in the Leased Property upon the cure of the condition forming the basis of the governmental power to exercise its authority, then Lessor and Lessee shall mutually agree on the extension of time required for Lessee to accomplish the cure (such extension not to exceed ninety (90) days except in the sole discretion of Lessor), and Lessor agrees that it's right to take possession, sublet the Leased Property and exercise any other remedy for such abandonment or vacation will not be invoked until the mutually agreed upon extended period of time has elapsed. Any amounts collected by Lessor from subsequent tenants for any calendar month shall be credited to Lessee in accordance with Section 16.1B.(i); or

(h) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, a receiver of Lessee or such Guarantor, as the case may be, of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof; or

(i) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Combined Net Worth not less than the Combined Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred; or

(j) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of written notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof);or

(k) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days; or

(l) if any of the representations or warranties made by Lessee or any of the Sellers named in the Purchase Agreement or in the certificates delivered in connection therewith are or become untrue in any material respect, and which is not cured within ten (10) days after notice from Lessor; or

(m) a default shall occur under the Guaranty; or

(n) a default or event of default shall occur under the Lease Assignment, Purchase Agreement, Assignment of Rents and Leases, Security Agreement, Loan Agreement or any other agreement between Lessor or any Affiliate of Lessor, on the one hand, and Lessee, any Guarantor, or any of their Affiliates, on the other hand, which is not cured within the cure period as provided therein.; or

(o) if Lessee defaults under or fails or refuses to enforce the material terms and conditions of any Tenant Lease whether now or hereafter in effect.

If an Event of Default shall have occurred under this Section 16.1, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

A. Without any notice or demand whatsoever, Lessor may take any one or more of the actions permissible at law to insure performance by Lessee of Lessee's covenants and obligations under this Lease. In this regard, it is agreed that if Lessee deserts, vacates or abandons the Leased Property, provided such desertion, vacation or abandonment constitutes an event of default under Section 16.1(g), then Lessor may enter upon and take possession of such Leased Property in order to protect it from deterioration and continue to demand from Lessee the monthly rentals and other charges provided in this Lease, without any obligation to relet; but that if Lessor does, at its sole discretion, elect to relet the Leased Property, such action by Lessor shall not be deemed as an acceptance of Lessee's surrender of the Leased Property unless Lessor expressly notifies Lessee of such acceptance in writing pursuant to subsection B of this Section 16.1, Lessee hereby acknowledging that Lessor shall otherwise be reletting as Lessee's agent and Lessee furthermore hereby agreeing to pay to Lessor on demand any deficiency that may arise between the monthly rentals and other charges provided in this Lease and that are actually collected by Lessor. It is further agreed in this regard that in the event of any default described in this Section 16.1, Lessor shall have the right to enter upon the Leased Property by force, if necessary, without being liable for prosecution or any claim for damages therefor, and do whatever Lessee is obligated to do under the terms of this Lease; and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in thus effecting compliance with Lessee's obligations under this Lease, and Lessee further agrees that Lessor shall not be liable for any damages resulting to the Lessee from such action.

B. Lessor may, at its option, (1) demand the Rent for the whole unexpired Term of the Lease which shall at once become due and exigible and at once demand and receive payment thereof, or (2) terminate this Lease by written notice to Lessee, or (3) proceed one or more times for arrearages (without prejudicing any other right), or (4) have recourse to any other remedy or mode of redress to which Lessor may be entitled by law. In the event Lessor elects to terminate this Lease, Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including without limitation, the right to seek damages, to seek specific performance, enforce the lessor's privilege as provided by Louisiana law, to seek injunctive relief and the right to seek any interest which may have accrued pursuant to Section 3.4 of this Lease), may evict Lessee and enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent, including without limitation, those required by Articles 4701-4705 of the Louisiana Code of Civil Procedure. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the Base Rent and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the Base Rent and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the Base Rent and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS.

Compliance with financial covenants set forth in subparagraphs (a) and (b) of this Section 16.2 below will be determined on a combined basis using the combined financial statements and information of Combined Tenants.

(a) FIRST TIER DEFAULTS. The failure or breach of any one or more of the following shall constitute a default and breach of this Section 16.2(a) and the Lessor shall have the rights and remedies provided for herein:

(i) Combined EBITDAR must equal or exceed one hundred thirty-five percent (135%) of Combined Fixed Charges, all based on trailing twelve (12) months;

(ii) Combined EBITDAR must equal or exceed one hundred seventy-five percent (175%) of Combined Lease Payments, all based on trailing twelve (12) months;

(iii) Total Debt of Combined Tenants shall not exceed seventy-five percent (75%) of the greater of (A) the total capitalization of Combined Tenants or (B) the fair market value of the Combined Tenants calculated as twelve (12) months' trailing EBITDAR times four (4.0).

The covenants described in this Section 16.2(a) (i) -- (iii) shall first become effective at the end of the first full calendar quarter subsequent to the Commencement Date and shall be tested at the end of each subsequent calendar quarter. Until the first anniversary of the Commencement Date, all operating measures shall be calculated from the Commencement Date and on a trailing twelve (12) month basis thereafter.

Upon the occurrence of any of the items set forth in Section 16.1 or in subparagraph (a) items (i) through (iii) of this Section 16.2(a), Lessor may, at its option, upon five (5) days' written notice to Lessee (any such notice requiring such termination being herein referred to as the "Removal Notice"), require Lessee to terminate the engagement of any Management Company managing the Facility and replace such Management Company with a manager chosen by Lessor (or, if there is no Management Company managing the Facility at that time, Lessor may require the Lessee to engage a Management Company acceptable to Lessor and enter into a contract with such Management Company upon terms and conditions acceptable to Lessor). In the event Lessor elects to require a change in the management of the Facility, such exercise to change management shall be subject to the right of Lessee to purchase the Leased Property on the terms described in Article XXXV herein, provided Lessee gives Lessor written notice of its intention to exercise such purchase right within five (5) days following receipt of the Removal Notice. In the event Lessee exercises its right to purchase as allowed in this Section 16.2(a), such purchase shall be closed within the time period and subject to the provisions set forth in Article XXXV herein.

(b) SECOND TIER DEFAULTS The failure or breach of any one or more of the following covenants shall constitute a default and breach of this Section 16.2(b) and Lessor shall have the rights and remedies provided for herein:

(i) Combined EBITDAR must equal or exceed one hundred percent (100%) of Combined Fixed Charges, all based on trailing twelve (12) months;

(ii) Combined EBITDAR must equal or exceed one hundred twenty five percent (125%) of Combined Lease Payments, all based on trailing twelve (12) months;

(iii) Total Debt of Combined Tenants shall not exceed one hundred percent (100 %) of the greater of (A) the total capitalization of Combined Tenants or (B) the fair market value of the Combined Tenants calculated as twelve (12) months' trailing EBITDAR times four (4.0);

(iv) Lessee shall not be in payment or other material default with respect to any of its other leases or material loan agreements, unless such default is cured within the cure periods provided for therein.

The covenants described in this Section 16.2(b) (i) - (iii) shall first become effective at the end of the first full calendar quarter subsequent to the Commencement Date and shall be tested at the end of each subsequent calendar quarter. Until the first anniversary of the Commencement Date, all operating measures shall be calculated from the Commencement Date and on a trailing twelve (12) month basis thereafter.

Upon the occurrence of any of the items set forth in Section 16.1 or in subparagraph (b) items (i) through (iii) of this Section 16.2(b), Lessor may, at its option, upon delivery of five (5) days written notice (the "Removal Notice"), require Lessee to terminate the engagement of the Management Company managing the Facility and replace such Management Company with manager chosen by Lessor (or, if there is no Management Company managing the facility at that time, Lessor may require the Lessee to engage a Management Company acceptable to Lessor and enter into a contract with such Management Company upon terms and conditions acceptable to Lessor), and Lessor may, at its option, proceed with all other remedies Lessor deems necessary, including, without limitation, terminating this Lease and pursuing all other customary remedies available at law and in equity; provided, however, that in the event Lessor elects to require a change in the management of the Facility, such exercise to change management shall be subject to the right of Lessee to purchase the Real Estate on the terms described in Article XXXV herein, provided Lessee gives Lessor written notice of its intention to exercise such purchase right within five (5) days following receipt of the Removal Notice. In the event Lessee exercises its right to purchase as allowed in this Section 16.2(b), such purchase shall be closed within the time period and subject to the provisions set forth in Article XXXV herein.

In addition to other rights and remedies Lessor may have hereunder and at law and in equity, upon the occurrence of any of the items set forth in subparagraph (b) items (i) through (iii) of this Section 16.2(b) or upon the occurrence of a monetary or payment Event of Default under this Lease, including, without limitation, an Event of Default relating to the payment of Rent or the payment of any indemnification obligations hereunder or under the Purchase Agreement or Other Lease, Lessee shall be deemed to have assigned to Lessor, at Lessor's sole option, all service agreements (including, without limitation, all medical director agreements), and (ii) to the extent permitted by law, Lessee shall be deemed, at Lessor's sole discretion, to have transferred and assigned to Lessor all Licenses and agreements, including, without limitation, all Medicare and Medicaid provider numbers and other agreements. In the event that there are legal limitations on any of the foregoing remedies, Lessee further hereby covenants and agrees that it will take all actions necessary to orderly transfer the operations and occupancy of the Leased Property to the Lessor, including cooperating with respect to the transfer to Lessor or its nominee or designee of all Licenses, provider numbers and other agreements.

(c) Notwithstanding any provision hereof, any breach of any one or more of items (i) through (iii) of subparagraph (a), or any one or more of items (i) through (iii) of subparagraph (b) of this Section 16.2 shall not be deemed to be a default or breach permitting Lessor to exercise the remedies set forth in such subparagraphs if, within thirty (30) days following the delivery date of the financial statements where such breach is identified, Lessee obtains and delivers to Lessor an unconditional and irrevocable letter of credit from a bank acceptable to Lessor (the "Letter of Credit") naming Lessor beneficiary thereunder, in a dollar amount which when added to the EBITDAR amounts in the financial covenants calculations would result in such clauses being satisfied and upon terms, conditions and provisions acceptable to Lessor (including, without limitation, provisions allowing Lessor to assign all of its rights under such Letter of Credit to Lessor's lender). At any time following the furnishing of the Letter of Credit under this subparagraph (c), upon Lessee providing two (2) consecutive quarters of financial statements evidencing no breach of any one or more of items (i) through (iii) of subparagraph (a), or any one or more of items (i) through (iii) of subparagraph (b) of this Section 16.2 without considering the dollar amount of the Letter of Credit, then the Letter of Credit shall be returned to Lessee by Lessor within ten (10) days of receipt of the second consecutive quarter of financial statements evidencing no breach of the applicable financial covenants.

(d) Notwithstanding anything to the contrary herein, Lessee shall not be required to comply with the financial covenants set forth in Section 16.2 (a) or (b) in the event, but only during the time, that the Leased Property is rendered Unsuitable for its Primary Intended Use for any reason.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1 or 16.2, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. Subject to the Prior Lien of Lessee's Primary Lender (as such terms are defined herein) and without in any way prejudicing Lessor's right to exercise its statutory lien and privilege, to secure the payment of all Rent due and to become due hereunder and the faithful performance of this Lease and to secure all other obligations, indebtedness and liabilities of Lessee to Lessor, now existing or hereafter incurred, and all Obligations (as defined in the Security Agreement), Lessee hereby gives to Lessor an express contract lien and continuing security interest in all property which may be placed on the Leased Property (including fixtures, equipment (including medical equipment whether or not affixed to the Leased Property), chattels and merchandise) and also upon all proceeds of any insurance which may accrue to Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment (including medical equipment whether or not affixed to the Leased Property) and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto; provided, however, that the Licenses are hereby excluded and Lessee is not granting to Lessor any security interest in the Licenses. Except as limited in favor of the Primary Lender as set forth in this Section 16.7, Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment (including medical equipment whether or not affixed to the Leased Property), fixtures, furniture, improvements and other tangible/corporeal personal/movable property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in Rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee that has not been remedied by Lessee pursuant to the terms of this Lease, Lessor may, if allowed by law, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, trailers, fixtures, furniture, improvements and other personal/movable property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee and any other party required by law to receive notice reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least seven (7) days before the time of sale. Any sale made pursuant to the provisions of this paragraph shall be deemed to have been a public sale conducted in a commercially reasonable manner if held in the above-described premises or where the property is located after the time, place and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in the county in which the property is located, for five (5) consecutive days before the date of the sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and legal expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Lessee consents to Lessor filing a UCC-1 financing statement in a form prepared by Lessor in order to perfect Lessor's security interest granted herein. Upon request by Lessor, Lessee agrees to execute (if required by law; provided, however, Lessor shall have the right to file a UCC-1 financing statement (and all amendments, modifications and extensions thereto) at any time as provided in the Security Agreement) and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (the "UCC") (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable, including without limitation, La. R.S. 10:9-101, et seq.

For purposes of this paragraph of Section 16.8, Lessee's Personal Property intended to be encumbered by this security interest is collectively referred to in this paragraph only as the "Secured Personal Property." Additionally, if an Event of Default occurs, Lessor, in addition to the remedies provided in this Section 16.8 and elsewhere in this Lease, Lessor is entitled to exercise those remedies granted a secured party under La. R.S. 10:9-501, et seq. For purposes of foreclosure under Louisiana foreclosure process procedures, the following shall apply. Lessee hereby confesses judgment, up to the full amount of Rent, interest and attorney's fees and for any other sums that may be due to Lessor under this Lease. Should an Event of Default occur, Lessor shall be entitled to foreclose under this Lease under ordinary or executory process procedures and to cause the Secured Personal Property to be immediately seized wherever found, and sold with or without appraisal, in regular session of court or in vacation, in accordance with applicable Louisiana law, without the necessity of further demanding payment from Lessee, or of notifying Lessee or placing Lessee in default. To the extent permitted under applicable Louisiana law, Lessee additionally waives: (1) the benefit of appraisal as provided under Articles 2332, 2336, 2723 and 2724 of the Louisiana Code of Civil Procedure and all other laws with regard to appraisal upon judicial sale; (2) the demand and three (3) days' delay as provided under Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (3) the notice of seizure as provided under Articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (4) the three (3) days' delay provided under Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (5) all other benefits provided under Article 2331, 2722 and 2723 of the Louisiana Code of Civil Procedure and all other Articles not specifically mentioned above. Lessee further agrees that any declaration of fact made by authentic act before a Notary Public and two witnesses by a person declaring that such facts are within his or her knowledge shall constitute authentic evidence of such facts for purposes of foreclosure under applicable Louisiana law. Lessee further agrees that Lessor may appoint a keeper of the secured Personal Property in the event of foreclosure pursuant to La. R.S. 9:5136, et seq. All expenses relating to the sale or other disposition of the Secured Personal Property, including without limitation, Lessor's attorney's fees and expenses of retaking, holding, insuring, preparing for the sale and selling the Secured Personal Property, shall become part of the obligations contemplated by this Lease and the Security Agreement and shall be payable upon demand, with interest, form the date of expenditure until Lessor is paid in full. Lessee further agrees that all of the remedies provided herein are and shall be cumulative in nature and nothing under this Lease shall limit or restrict the remedies available to Lessor following an Event of Default.

As used herein, the term "Primary Lien of Lessee's Primary Lender" means any first priority lien granted by Lessee in any of Lessee's machinery, equipment (including medical equipment whether or not affixed to the Leased Property), furniture, furnishings, tools, movable walls or partitions, computers, signage, trade fixtures, supplies, inventory, or any other tangible personal property placed on the Leased Property and used or useful in Lessee's business conducted at or on the Leased Property (the "Collateral"), which may be given in connection with Lessee's lender (the "Primary Lender") providing financing for Lessee to purchase such items of Collateral or in connection with the refinancing of any such items of Collateral. In the event Lessee obtains financing from a Primary Lender or refinances such items of Collateral, Lessee shall use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on such Collateral in favor of Lessor, in form and content reasonably acceptable to the Primary Lender and the Lessor. Lessee covenants and agrees not to place or allow any other liens to be placed on the Collateral. Lessee covenants and agrees that all indebtedness (except for the indebtedness owed to the Primary Lender) owed by Lessee under all agreements executed in connection with the Lessee's financing of Lessee's Personal Property to be used in connection with the operation of the Facility shall be subordinate to all monetary obligations under this Lease and Lessee shall not place or allow any other liens to be placed on the Lessee's Personal Property. At the request of Lessor from time to time, Lessee shall execute and shall obtain from all parties to such financing arrangements executed written confirmation of such subordination (in form and content as is acceptable to Lessor), which shall be delivered to Lessor within ten (10) days from Lessor's request.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed, Act of Cash Sale, or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer (so long as Lessee immediately applies for, seeks in good faith and diligently pursues to obtain such consents and approvals) and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents prior to the closing date, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

INTENTIONALLY OMITTED

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (a) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERCENTAGE TO PROPERTY OCCURRING ON OR ABOUT THE LEASED PROPERTY OR ADJOINING SIDEWALKS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF MALPRACTICE, (b) ANY USE, MISUSE, NO USE, CONDITION, MAINTENANCE OR REPAIR BY LESSEE OF THE LEASED PROPERTY, (c) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO THE APPLICABLE PROVISIONS OF THIS LEASE), (d) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (e) THE NON-PERFORMANCE OF ANY OF THE TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY

THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS SECTION SHALL BE PAID WITHIN FIFTEEN (15) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSEE SEES FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENT ACTS OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION OF THIS LEASE.

ARTICLE XXIV

ASSIGNMENT, SUBLETTING AND SUBLEASE SUBORDINATION

24.1 ASSIGNMENT AND SUBLETTING. Lessee shall not assign this Lease or sublease any portion of the Leased Property without Lessor's prior written consent. Lessor shall not unreasonably withhold its consent to any subletting or assignment, provided that (a) in the case of a subletting, the sublease and the sublessee shall comply with the provisions of this Article XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the obligations, covenants and conditions to be performed by Lessee hereunder and under all of the other documents executed in connection herewith. As of the date of this Agreement, Lessee warrants and covenants that except as set forth on Schedule 24.1, there are no outstanding or existing leases or subleases, letters of intent, commitment letters or any other type of occupancy agreements relating to the Leased Property. Any modifications, amendments and restatements of any leases or subleases entered into in connection with the Leased Property, if any, must be approved by Lessor in accordance with this Article XXIV. Notwithstanding anything contained herein to the contrary, any proposed assignee of Lessee and any proposed sublessee or subtenant must each have an equal or stronger credit rating than the Lessee on the Commencement Date. Lessor's failure or refusal to approve an assignment to an assignee or a subletting to a sublessee or subtenant without the required credit rating shall be reasonable.

24.2 SUBLEASE LIMITATIONS. In addition to the sublease limitations as set forth in Section 24.1 above, anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee or subtenant thereunder would be based, in whole or in part, on either (a) the income or profits derived by the business activities of the sublessee or subtenant, or (b) any other formula such that any portion of the sublease rental received by Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws. Lessor and Lessee acknowledge and agree that all subleases entered into relating to the Leased Property, whether or not approved by Lessor, shall not, without the prior written consent of Lessor, be deemed to be a direct lease between Lessor and any sublessee or subtenant. Lessee agrees that all subleases submitted for Lessor approval as provided herein must include provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease, to the rights of Lessor hereunder, and to all financing documents relating to any Lessor financing in connection with the Facility, (b) in the event this Lease shall terminate or be terminated before the expiration of the sublease, the sublessee or subtenant will, at Lessor's option, attorn to Lessor and waive any right the sublessee or subtenant may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, (c) at Lessor's option, the sublease may be terminated or left in place by Lessor in the event of a termination of this Lease, (d) the obligations and performance of the sublessee or subtenant must be guaranteed by guarantors acceptable to Lessor, (e) sublessee or subtenant shall from time to time upon request of

Lessee or Lessor furnish within ten (10) days from request an estoppel certificate in form and content acceptable to Lessor or its lender relating to the sublease, (f) in the event the sublessee or subtenant receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee is in default under this Lease, the sublessee or subtenant shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such notice, or as such party may direct (all rentals received from the sublessee by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease), (g) and that such sublease shall at all times be subject to the obligations and requirements as set forth in this Article XXIV, and (h) sublessee or subtenant shall provide to Lessor upon written request such officer's certificates and financial statements as Lessor may request from time to time.

24.3 SUBLEASE SUBORDINATION AND NON-DISTURBANCE. Within ten (10) days after request by Lessor, Lessee shall cause the subtenants or sublessees to execute and deliver to Lessor a subordination agreement relating to the sublease, which subordination agreement shall be in such form and content as is acceptable to Lessor. At the request from time to time by one or more Facility Lender, within ten (10) days from the date of request, Lessee shall cause the subtenants or sublessees of the Leased Property to execute and deliver within such ten (10) day period, to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby such subtenants and sublessees subordinate the sublease and all of their rights and estate thereunder to each such mortgage or deed of trust that encumbers the Leased Property or any part thereof and agree with each such Facility Lender that such subtenants and sublessees will attorn to and recognize such Facility Lender or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such mortgage or deed of trust, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of the sublease.

ARTICLE XXV

OFFICER'S CERTIFICATES; FINANCIAL STATEMENTS; NOTICES AND OTHER CERTIFICATES

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish, or cause to be furnished, the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each fiscal year of Lessee and each Guarantor, a copy of the Statements of Cash Flow for the Lessee and each Guarantor for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, beginning for the year ending December 31, 2005, audited GAAP-basis financial statements of Lessee and each Guarantor and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with GAAP for the year then ended, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee and the Guarantors and the operations performed in the Facility, on a quarterly, year-to-date, and prior year comparable basis, certified to be true and correct by an officer of Lessee, and

(iv) within thirty (30) days after the end of each month current operating statements of the Facility, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that any license or certification, including, without limitation, the Medicare and/or Medicaid certification and/or managed care contract of the Facility is being downgraded to a substandard category, revoked, or suspended, or that action is pending or being considered to downgrade to a substandard category, revoke, or suspend such Facility's license or certification, and

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee as Lessor may reasonably request from time to time.

Lessor reserves the right to require such other financial information from Lessee at such other times as Lessor shall deem reasonably appropriate.

(c) Upon Lessor's request, Lessee will furnish to Lessor a certificate in form acceptable to Lessor certifying that no event of default as defined herein or in any of the Tenant Leases and the Other Lease, then exists and no event has occurred (that has not been cured) and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute a default hereunder.

(d) Within two (2) business days of receipt, Lessee shall furnish to Lessor copies of all notices and demands from any third party payor, including, without limitation, Medicare and/or Medicaid, concerning overpayment which will or may result in a repayment or a refund in excess of One Million Dollars ($1,000,000). Lessee hereby agrees that in the event of receipt of such notices or demands Lessor shall have the right, at Lessor's option, to participate in the appeal of such notices and demands.

(e) Lessee shall furnish to Lessor on a monthly basis ongoing status reports (in form and content acceptable to Lessor) of any governmental investigations of the Lessee, the Guarantors, or any of their respective Affiliates, or the Facility, conducted by the United States Attorney, State Attorney General, the Office of the Inspector General of the Department of Health and Human Services, or any other Governmental Entity.

(f) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices of adverse events or deficiencies as defined by regulations or standards of the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO"), or the equivalent of the accrediting body relied upon by the Lessee in the operation of the Facility or any part thereof.

(g) Lessee shall furnish to Lessor immediately upon receipt thereof copies of all notices that the Lessee is not in compliance with the Standards for Privacy of Individually Identifiable Health Information and the Transaction and Code Set Standards which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

(h) Lessor reserves the right to require such other financial information from Lessee at such other times as it shall deem reasonably necessary. All financial statements and information must be in such form and detail as Lessor shall from time to time, but not unreasonably, request.

Subject to the rights of Lessor as provided in Section 41.11 of this Lease, Lessor and Lessee agree that all financial information disclosed pursuant to this Article XXV shall be kept in strictest confidence and shall not be disclosed to any person or entity.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor or its Affiliates and their respective authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

32.1 So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and the payment and financial covenant obligations under the Other Lease, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: Gulf States Long Term Acute Care
of Covington, L.L.C.
2325 Weymouth Drive, Suite A
Attention: Gregory M. Walker
Fax: (225) 216-2279

with a copy to: Roedel Parsons
8440 Jefferson Highway, Suite 301
Baton Rouge, Louisiana 70809
Attention: David A. Woolridge, Jr.
Fax:(225) 928-4925

with a copy to: Adams and Reese, LLP
451 Florida Street
Bank One Centre, 19th Floor, North Tower
Baton Rouge, Louisiana 70801
Attn: Gregory D. Frost.
Fax: (225) 336-5220

(b) if to Lessor: MPT of Covington, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn: Michael G. Stewart, Esq.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease or any purchase options contained herein and shall assume the Lease is in place for a term of fifteen (15) years, and shall not take into account any purchase options contained herein. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first (1st) appraiser, proceed to appraise the Leased Property to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two (2) appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitrator Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two (2) determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 LESSEE'S OPTION TO PURCHASE. So long as Lessee is not in default, and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default (except as otherwise provided in Section 16.2) under the terms of this Lease, the Other Lease and the Tenant Leases, at any time from and after the expiration of the Fixed Term and each Extension Term, the Lessee shall have the option, to be exercised by sixty (60) days' prior written notice to the Lessor, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property (which appraisal shall assume that the Lease remains in effect for a term of fifteen (15) years and shall not take into account any purchase options contained herein), or (ii) the Purchase Price of the Leased Property, increased annually by the greater of (A) two and one-half percent (2.5%) per annum from the Commencement Date, or (B) the rate of increase in the Consumer Price Index on each Adjustment Date. Notwithstanding anything contained herein to the contrary, in no event shall the purchase price be less than the Fair Market Value of the Leased Property. Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) Lessee shall continue paying Rent as required under this Lease until the purchase is closed, and (iii) the sale/purchase must be closed within ninety (90) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase, unless a different closing date is agreed upon in writing by Lessor and Lessee. Notwithstanding any provision herein to the contrary, this Lease, and specifically Lessee's rights as set forth in this Section 35.1 are and shall be subject, subordinate and inferior to any Facility Instrument. This provision shall be self-operative. However, any Facility Lender may from time to time request that such subordination be evidenced by a separate written agreement. Within ten (10) days following written request by Lessor or any Facility Lender, the Lessee shall execute and deliver to Lessor or such Facility Lender a written agreement in form and substance satisfactory to such Facility Lender and any applicable rating agency. In the event Lessee fails or refuses to execute and deliver such written agreement within such ten (10) day period, then, in addition to all other remedies available at law or in equity, the Lessor shall be entitled to terminate Lessee's purchase rights under this Section 35.1 upon delivery of fifteen (15) days' written notice to Lessee. In the event Lessee has not executed and delivered to such Facility Lender and any applicable rating agency, if any, the written agreement requested within such fifteen (15) day period, then in such event, Lessee's purchase rights under this Section 35.1 shall be deemed forfeited and of no further force or effect.

ARTICLE XXXVI

INTENTIONALLY OMITTED

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use commercially reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after twenty (20) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more Facility Lender, within ten (10) days from the date of request, Lessee shall execute and deliver within such ten (10) day period, to such Facility Lender a written agreement in a form reasonably acceptable to such Facility Lender whereby Lessee subordinates this Lease and all of its rights and estate hereunder to each Facility Instrument that encumbers the Leased Property or any part thereof and agrees with each such Facility Lender that Lessee will attorn to and recognize such Facility Lender or the purchaser at any foreclosure sale or any sale under a power of sale contained in any such Facility Instrument, as the case may be, as Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such Facility Lender simultaneously executes and delivers to Lessee a written agreement consenting to this Lease and agreeing that, notwithstanding any such other mortgage, deed of trust, right, title or interest, or any default, expiration, termination, foreclosure, sale, entry or other act or omission under, pursuant to or affecting any of the foregoing, Lessee shall not be disturbed in peaceful enjoyment of the Leased Property nor shall this Lease be terminated or canceled at any time, except in the event Lessee is in default under the terms of this Lease.

ARTICLE XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility (collectively, the "Licenses"), and shall qualify and comply with all applicable laws as they may from time to time exist, including those applicable to certification and participation as a provider under Medicare and Medicaid legislation and regulations.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to pledge, encumber or transfer any of the Licenses to any other person, entity or other location (except to Lessor as contemplated herein), during the Term hereof.

It is an integral condition of this Lease that Lessee covenants and agrees, during the Term of the Lease, not to sell, move, modify, cancel, surrender, transfer, assign, sell, relocate, pledge, secure, convey or in any other manner encumber any License or any governmental or regulatory approval, consent or authorization of any kind to operate the Facility.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of Louisiana, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Primary Intended Use on the Leased Property as a licensed and Medicare and/or Medicaid certified long-term acute care hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv)

Lessee shall operate the Facility in a manner consistent with high quality acute care services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

LESSOR'S RIGHT TO SELL

41.1 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part at any time, subject to this Lease and the rights of Lessee as expressly provided in this Lease. The Lessee agrees that any purchaser may exercise any and all rights of Lessor as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee.

ARTICLE XLII

MISCELLANEOUS

42.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Louisiana but not including its conflict of laws rules; provided, however, the parties hereto agree that the venue for all actions in connection with this Lease and all matters relating to the Leased Property shall be the state courts of the State of Delaware located in New Castle County, Delaware and the Untied States District Court for the District of Delaware.

42.2 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease; (b) requests by Lessor for approval or consent under this Lease and all other documents executed between Lessor and Lessee in connection herewith, (c) any circumstances or developments which give rise to Lessor's right of consent or approval, (d) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions, and (e) a request for changes including, but not limited to, (i) the permitted use of the Leased Property, (ii) alterations and improvements to the Leased Improvements, (iii) subletting or assignment, and (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

42.3 ENTIRE AGREEMENT; MODIFICATIONS. This Lease embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior to contemporaneous agreements, understandings, representations and statements (oral or written) are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

42.4 LEASE GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously herewith deliver to the Lessor a Lease Guaranty in form and content satisfactory to Lessor, whereby the Guarantors solidarily, jointly and severally, absolutely and irrevocably, guarantee the full payment and performance of all of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors and any Affiliate of Lessee and any Affiliate of Guarantors to Lessor. Such Lease Guaranty shall specifically provide that the Lease Guaranty and the obligations of the Guarantors thereunder shall remain in full force and effect during the Term, regardless of whether this Lease has been assigned or any portion of the Leased Property has been subleased.

42.5 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Lessee shall notify Lessor in writing ("Lessee's Notice") of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee. Lessor shall notify Lessee in writing on or before the expiration of twenty (20) business days after receipt of Lessee's Notice whether Lessor is interested in providing such financing. If Lessor agrees to provide the financing, the terms and conditions of such financing will be contingent upon, among other things, performance benchmarks acceptable to Lessor and the Lessor's satisfaction and approval of other due diligence requirements.

42.6 LETTER OF CREDIT. Simultaneously with the execution and delivery of this Lease to Lessor, Lessee has obtained and delivered to Lessor an unconditional and irrevocable letter of credit from a bank acceptable to Lessor (the "Letter of Credit") naming Lessor beneficiary thereunder, in an amount equal to six (6) months' Base Rent (estimated in the first year of the Term to be approximately Five Hundred Ninety-Eight Thousand Five Hundred and no/100 Dollars ($598,500.00)) and upon terms, conditions and provisions acceptable to Lessor. At such time as the operations at the Facility have for eight (8) consecutive fiscal quarters generated an EBITDAR coverage of at least two (2) times the Base Rent, the Letter of Credit may be reduced to an amount equal to three (3) months of the then amount of Base Rent then in effect. If, however, after satisfying the conditions necessary to reduce the Letter of Credit to three (3) months' Base Rent, EBITDAR coverage subsequently drops below two (2) times Base Rent for two (2) consecutive fiscal quarters, the Letter of Credit shall again increase to an amount equal to six (6) months of Base Rent then in effect.

42.7 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, the aggregate ownership of the current members of Lessee and Guarantors shall not be reduced below fifty-one (51%) percent.

42.8 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, in connection with a public offering or the private placement of securities of Lessor or MPT, or their efforts to obtain financing for the Leased Property, Lessor and MPT may disclose that Lessor has entered into this Lease with the Lessee respecting the Facility and the Leased Property and may provide and disclose other information regarding this Lease, the Lessee, the Guarantors, the Leased Property, the Facility, the Commitment Letter, and such other additional information which Lessor and MPT may reasonably deem necessary, to its proposed investors in such public offering or private offering of securities or any prospective lenders with respect to such financing. Lessee shall cooperate with Lessor and MPT by providing financial and other information reasonably requested by Lessor and MPT in connection with such offering of securities or financing. Lessee and MPT shall have the right of access to the Facility, at reasonable business hours and upon advance notice, and all documentation and information relating to the Facility.

42.9 NON-RECOURSE AS TO LESSOR. Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Lessor under this Lease shall be enforced only against the Leased

Property and not against any other assets, properties or funds of (i) Lessor, (ii) any director, officer, general partner, shareholder, limited partner, beneficiary, employee or agent of Lessor or any general partner of Lessor or any of its general partners (or any legal representative, heir, estate, successor or assign of any thereof), (iii) any predecessor or successor partnership or corporation (or other entity) of Lessor or any of its general partners, shareholders, officers, directors, employees or agents, either directly or through Lessor or its general partners, shareholders, officers, directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (iv) any person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof.

42.10 MANAGEMENT AGREEMENTS. Lessee shall not engage any Management Company or allow any tenants, subtenants or sublessees of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, Lessor's rights relating to the selection of any Management Company as set forth in Section 16.2 hereof shall be at Lessor's sole and absolute discretion. Lessee shall, if required by Lessor and/or the Lessor's Lender, assign and/or subordinate all of Lessee's rights under the Management Agreements to Lessor and Lessor shall be entitled to assign and/or subordinate same to Lessor's lender. At the request of the Lessor from time to time, Lessee shall execute and deliver (and require the tenants, subtenants or sublessees to execute and deliver, if applicable) an assignment and/or subordination agreement relating to the Management Agreements, which assignment and/or subordination agreement shall be in such form and content as reasonably acceptable to Lessor and/or any lender providing financing to Lessor, and shall be delivered to Lessor within ten (10) days after Lessor's request. Lessee hereby agrees that all payments and fees payable under the Management Agreements are and shall be subordinate to the payment of the obligations under this Lease and all other documents executed in connection with this Lease and the Purchase Agreement. Lessee agrees that all Management Agreements entered into in connection with the Leased Property shall expressly contain provisions acceptable to Lessor which (i) require an assignment of the Management Agreements to Lessor upon request by Lessor, (ii) confirm and warrant that all sums due and payable under the Management Agreements are subordinate to this Lease, (iii) grant Lessor the right to terminate the Management Agreement (individually or collectively, if more than one (1)) only upon certain default(s) set forth hereunder, (iv) require the Management Company to execute and deliver to Lessor within ten (10) days from Lessor's request an estoppel certificate, assignment and/or subordination agreement as required by Lessor and/or Lessor's lender providing financing to Lessor, in such form and content as is acceptable to Lessor and/or its lender, and (v) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. At the request of the Lessor from time to time, Lessee shall execute and obtain from all parties subject to such Management Agreements executed written confirmation of such assignment or subordination, which shall be delivered to Lessor within ten (10) days from Lessor's request.

42.11 FORCE MAJEURE. Except for Rent and other monetary obligations payable pursuant to the terms of this Lease, in the event Lessor or Lessee shall be delayed, hindered in or prevented from the performance of any act required under this Lease by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, unavailability of any utility service, restrictive governmental laws or regulations, riots, insurrections, the failure to act, or default of another party, war, or other reason beyond Lessor's or Lessee's control (individually "Force Majeure"), then performance of such act shall be excused for the period of the delay, and the period of the performance of any such act shall be extended for a period equivalent to the period of such delay. Within ten (10) business days following the occurrence of Force Majeure, the party claiming a delay due to such event shall give written notice to the other setting forth a reasonable estimate of such delay.

42.12 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XLIII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

MPT OF COVINGTON, LLC
BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: Sole Member

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

LESSEE:

GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C.

By: Gulf States Health Services, Inc., Co-Manager

By: /s/ Gregory M. Walker

Gregory M. Walker, Date
Chief Executive Officer

By: Team Rehab, L.L.C., Co-Manager

By: Grayson Interests, L.L.C., Manager

By: /s/ S. Chris Herndon

S. Chris Herndon Date
Co-Manager

STATE OF ALABAMA
JEFFERSON COUNTY

Before me, the undersigned Notary Public, duly commissioned, qualified and sworn within and for the State and County aforesaid, personally came and appeared EDWARD K. ALDAG, JR., who acknowledged that he is the President and Chief Executive Officer of MPT Operating Partnership, L.P. (the "Limited Partnership"), the Sole Member of MPT OF COVINGTON, LLC, a Delaware limited liability company (the "Limited Liability Company"), that as such duly authorized officer, by and with the authority of the general partners of the Limited Partnership, he signed and executed the foregoing instrument for and on behalf of the Limited Partnership, as the Sole Member of the Limited Liability Company, as his and its free and voluntary act and deed, for the uses, purposes and benefits therein expressed.

Dated this ________ day of ___________________, 2005.

____
NOTARY PUBLIC
Printed Name:__________________________
My Commission Expires:_________________

[AFFIX NOTARY SEAL]

STATE OF ALABAMA
JEFFERSON COUNTY

Before me, the undersigned Notary Public, duly commissioned, qualified and sworn within and for the State and County aforesaid, personally came and appeared GREGORY M. WALKER, who acknowledged that he is the Chief Executive Officer of GULF STATES HEALTH SERVICES, INC. (the "Co-Manager"), the co-manager of GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C., a Louisiana limited liability company (the "Limited Liability Company"), that as such duly authorized officer, by and with the authority of the members and managers of the Co-Manager, he signed and executed the foregoing instrument for and on behalf of the Co-Manager, which executed this instrument on behalf of and as the co-manager of the Limited Liability Company, as his and its free and voluntary act and deed, for the uses, purposes and benefits therein expressed.

Dated this ________ day of ___________________, 2005.

____
NOTARY PUBLIC
Printed Name:___________________________
My Commission Expires:__________________

[AFFIX NOTARY SEAL]

STATE OF ALABAMA
JEFFERSON COUNTY

Before me, the undersigned Notary Public, duly commissioned, qualified and sworn within and for the State and County aforesaid, personally came and appeared S. CHRIS HERNDON, who acknowledged that he is the co-manager of Grayson Interests, L.L.C. ("Manager"), the manager of TEAM REHAB, L.L.C. (the "Co-Manager"), a Louisiana limited liability company and the co-manager of GULF STATES LONG TERM ACUTE CARE OF COVINGTON, L.L.C., a Louisiana limited liability company (the "Limited Liability Company"), that as such duly authorized officer, by and with the authority of the members and managers of the Manager and Co-Manager, he signed and executed the foregoing instrument for and on behalf of the Manager, which executed the foregoing instrument for and on behalf of the Co-Manager, which executed this instrument on behalf of and as the co-manager of the Limited Liability Company, as his and its free and voluntary act and deed, for the uses, purposes and benefits therein expressed.

Dated this ________ day of ___________________, 2005.

____
NOTARY PUBLIC
Printed Name:___________________________
My Commission Expires:__________________

[AFFIX NOTARY SEAL]

EXHIBIT A

Land

[See Attached]

EXHIBIT B

Permitted Exceptions

[See Attached]

EXHIBIT C

Immediate Repairs

[See Attached.]

SCHEDULE 13.1

1. In addition to the following incremental coverage, the attached schedules set forth the insurance currently held by Lessee or Management Company :

   a) General liability naming Lessor with coverage limits of $1mm per occurrence and $3mm aggregate; and

   b) increased limits or supplemental coverage on property and casualty for our buildings for a total coverage limit of:

      i. $6,200,000 for Denham, and

      ii. $8,500,000 for Covington.

EXHIBIT 10.49

PROMISSORY NOTE

June 9, 2005
Birmingham, Alabama

FOR VALUE RECEIVED, DENHAM SPRINGS HEALTHCARE PROPERTIES, L.L.C., a Louisiana limited liability company (the "Maker"), by this Promissory Note (this "Note") hereby absolutely and unconditionally promises to pay to the order of MPT OF DENHAM SPRINGS, LLC, a Delaware limited liability company, or any other holder or holders hereof from time to time (the "Lender") at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, or at such other address as the Lender may designate to the Maker in writing from time to time, a principal sum equal to Six Million and No/100 Dollars ($6,000,000.00) (the "Loan"), together with interest from the date hereof on such principal sum at the rate equal to the Interest Rate (as herein defined). For purposes of this Note, the Interest Rate shall equal Ten and One Half Percent (10.5%) per annum, adjusted on January 1, 2006 and on each January 1 thereafter during the term of this Note, by the greater of Two and One Half Percent (2.5%) or the percentage by which CPI (as herein defined) increases from November to November, it being understood, however, that the first comparison shall be made by reference to any change in CPI from March 2005 to November 2005 and thereafter, such comparison shall be made from November to November. For purposes of this Note, the term "CPI" shall mean the Consumer Price Index, all urban consumers, all items, U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics, in which 1982-1984 equals one hundred (100). If the Consumer Price Index is discontinued or revised during the term of this Note, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

1. Payments. All payments hereunder shall be made by the Maker to the Lender in lawful money of the United States and at the address of the Lender as set forth above or as hereafter designated by the Lender by notice thereof to the Maker. Such payments shall be determined and made as follows:

(a) Interest Only. Until the fifteenth (15th) anniversary of the date hereof, the Maker shall not be required to make payments of principal hereunder, but shall pay to the Lender all interest accruing on the principal balance that is from time to time outstanding hereunder. Such interest payments shall be due and payable on the tenth (10th) day of each calendar month commencing with June 2005.

(b) Principal. Upon the fifteenth (15th) anniversary of the date hereof, all amounts then outstanding hereunder, including all accrued but unpaid interest shall be due and payable (the "Maturity Date").

(c) Interest Calculations. All interest hereunder will be computed for the actual number of days elapsed on the basis of a year consisting of Three Hundred and Sixty (360) days.

(d) Prepayment. Notwithstanding the foregoing, the Maker shall have the right at any time to prepay all or any portion of the principal amount hereunder without penalty or premium.

(e) Default. Upon the occurrence of an Event of Default (as hereinafter defined), all amounts then outstanding hereunder shall be immediately due and payable in full.

(f) Priority. All payments received hereunder shall be applied first to the payment of any expenses or charges payable hereunder, then to accrued interest, with the balance applied to principal remaining under this Note.

2. Default. For purposes of this Note, an "Event of Default" shall be deemed to have occurred upon: (i) any failure by the Maker to pay (by delivery of cash or other immediately available funds) all or any portion of interest and/or principal under this Note when the same shall be due and payable in accordance with the terms hereof, whether on the Maturity Date, by acceleration or otherwise which failure continues unremedied within five (5) days after written notice from Lender (provided that after two (2) notices during any calendar year, any further nonpayment by Maker in such calendar year shall not require notice for such nonpayment to constitute an Event of Default); (ii) (A) the filing by the Maker of a voluntary petition seeking liquidation, reorganization, arrangement, dissolution or readjustment, in any form, of its debts under Title 11 of the United States Code (or corresponding provisions of future laws) or any other applicable state, federal or foreign bankruptcy, insolvency or similar law, or the filing by the Maker of an answer consenting to or acquiescing in any such petition, (B) the making by the Maker of any assignment for the benefit of its creditors, or any failure, inability or admission by the Maker in writing of its inability to pay its debts as they become due, (C) the filing of (x) an involuntary petition against the Maker under Title 11 of the United States Code, or any other applicable bankruptcy, insolvency or similar law (or corresponding provisions of future laws), (y) an application for the appointment of a custodian, receiver, trustee or other similar official for the Maker for all or a substantial part of the assets of the Maker or (z) an involuntary petition against the Maker seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, dissolution, relief or composition of the Maker or any of the Maker's debts under any other federal or state or foreign insolvency or similar law, provided that any such filing referred to in this clause (C) shall not have been vacated, set aside or stayed within a 45 day period from the date thereof, (D) the entry against the Maker of a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect or (E) any limited liability company action by the Maker to effect or in furtherance of any of the foregoing; (iii) any default by the Maker or Gulf States Long Term Acute Care of Denham Springs, L.L.C. (the "Tenant") (after applicable notice and cure periods) under that certain Lease Agreement of even date herewith; (iv) any default (after applicable notice and cure periods) by Maker or Tenant under any agreement between the Maker or any of its affiliates and the Lender or any of its affiliates including, without limitation that certain Purchase, Sale and Loan Agreement of even date herewith among Maker, Lender, Tenant, MPT Operating Partnership, L.P., MPT of Covington, LLC, Covington

Healthcare Properties, L.L.C. and Gulf States Long Term Acute Care of Covington, L.L.C., that certain Loan Agreement of even date herewith among Maker, Lender and Tenant and that certain Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Mortgage"); (v) the Maker shall voluntarily terminate its business operations or shall be dissolved, voluntarily or involuntarily, by operation of law or otherwise; (vi) the Maker shall, or shall agree to, sell, pledge, encumber or otherwise dispose of any interest in the Collateral (as herein defined); or (vii) the aggregate ownership of the current members of Tenant, Maker or Guarantors (as herein defined) shall be reduced below fifty one percent (51%) and the same is not cured within thirty (30) days following receipt of written notice from Lender, provided that after two (2) notices during any calendar year, no further notices shall be required in such calendar year for such event to constitute an Event of Default.

3. Default Rate. In the event that any amount of the principal hereof or accrued interest on this Note is not paid in full when due (whether at stated maturity, by acceleration or otherwise), the Maker shall pay to the Lender on demand interest on such unpaid amount (to the extent permissible under applicable law) for the period from the date such amount became due until such amount shall have been paid in full at an interest rate per annum equal to the lesser of the maximum rate permitted by law and a rate equal to four percent (4%) per annum above the Interest Rate (the "Default Rate"). If any amount remains unpaid past the Maturity Date, interest shall continue to accrue on such unpaid amount at the Default Rate until paid in full.

4. Indemnity. The Maker shall pay (i) all reasonable out-of-pocket expenses of the Lender in connection with the preparation of this Note, any waiver or consent hereunder or any amendment hereof or any Event of Default hereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Lender, including (without duplication) the reasonable fees and disbursements of outside counsel in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom. Without limitation of the foregoing, the Maker agrees to indemnify the Lender, its affiliates and the respective directors, officers, agents and employees of the foregoing (each, an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and reasonable expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel and settlement costs, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Note.

5. Usury. It is the intention of the Lender and the Maker to comply strictly with applicable usury laws and, accordingly, in no event and upon no contingency shall the Lender ever be entitled to receive, collect, or apply as interest any interest, fees, charges or other payments equivalent to interest, in excess of the maximum rate which the Lender may lawfully charge under applicable statutes and laws from time to time in effect; and in the event that the Lender ever receives, collects, or applies as interest any such excess, such amount which, but for this provision, would be excessive interest, shall be applied to the reduction of the principal amount of the Loan; and if the principal amount of the

Loan, all lawful interest thereon, and all lawful fees and charges in connection therewith, are paid in full, any remaining excess shall forthwith be paid to the Maker, or other party lawfully entitled thereto.

6. Waivers. The Maker and any endorsers or guarantors hereof hereby waive demand, diligence, presentment, protest, notice of dishonor, notice of protest and, to the extent permissible under applicable law, notices and rights of every kind, and warrants to the Lender that all action and approvals required for the execution and delivery hereof as a legal, valid and binding obligation of the Maker, enforceable in accordance with the terms hereof, have been duly taken and obtained. The failure of the Lender to exercise any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance. The obligations of the Maker under this Note are absolute and unconditional under all circumstances and irrespective of any setoff, counterclaim or defense to payment (of any type or description, whether as a result of non-compliance with any of the provisions of this Note, any of the other agreements referred to herein, or otherwise) which the Maker may have or have had against the Lender or any other person or entity.

7. Notice. All notices and other communications hereunder shall be in writing and shall be effective when deposited in the United States mail, by certified or registered mail, return receipt requested, postage prepaid and properly addressed to the respective party to whom such notice relates to the following addresses:

If to any Seller Party:	c/o Covington Healthcare Properties, L.L.C. 18153 East Petroleum Drive Post Office Box 83180 Baton Rouge, Louisiana 70809-6125 Attention: S. Chris Herndon
With a copy to:	Roedel Parsons 8440 Jefferson Highway, Suite 301 Baton Rouge, Louisiana 70809 Attention: David A. Woolridge, Jr.
If to any Purchaser Party	c/o Medical Properties Trust, Inc. 1000 Urban Center Drive, Suite 501 Birmingham, AL 35242 Attention: Edward K. Aldag, Jr.
With a copy to:	Baker, Donelson, Bearman, Caldwell & Berkowitz, PC 420 20th Street North, Suite 1600 Birmingham, Alabama 35203 Attention: Thomas O. Kolb, Esq.

8. Security, Guaranty. This Note is secured by a mortgage on certain real property of the Maker (the "Collateral") pursuant to the Mortgage and is guaranteed by Tenant, Team Rehab, L.L.C. and Gulf States Health Services, Inc. (the "Guarantors") pursuant to a Loan Guaranty of even date herewith.

IN WITNESS WHEREOF, the undersigned has executed this Note on the date and year first above written.

MAKER:

DENHAM SPRINGS HEALTHCARE PROPERTIES, L.L.C.

By:/s/ S. Chris Herndon

Its: Chief Financial Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Medical Properties Trust, Inc.:

We consent to the use of our report included herein and to the references to our firm under the heading "Experts", "Summary Selected Financial Data" and "Selected Financial Data" in the prospectus.

/s/ KPMG LLP

July 1, 2005
Birmingham, Alabama

EXHIBIT 23.2

[PARENTE RANDOLPH, LLC LETTERHEAD]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member
Vibra Healthcare, LLC:

We hereby consent to the incorporation in this Amendment No. 6 to Registration Statement of Medical Properties Trust, Inc. on Form S-11 (No. 333-119957) of our report dated March 8, 2005, except for Note 11, as to which the date is March 31, 2005, relating to the consolidated financial statements of Vibra Healthcare, LLC and subsidiaries as of December 31, 2004 and for the period from inception (May 14, 2004) through December 31, 2004. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ Parente Randolph, LLC

Parente Randolph, LLC
Harrisburg, Pennsylvania
June 30, 2005

July 1, 2005

VIA EDGAR

United States Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Owen Pinkerton, Senior Counsel

Ladies and Gentlemen:

On behalf of Medical Properties Trust, Inc. (the "Company"), enclosed herewith is Amendment No. 6 to the Company's Registration Statement on Form S-11 (the "Amendment"), as filed with the Securities and Exchange Commission on October 26, 2004 (the "Registration Statement"). The Company has amended the Registration Statement in response to comments contained in the letter from the Staff dated June 27, 2005 (the "Comment Letter"), and addressed to Edward K. Aldag, Jr., Chairman, President and Chief Executive Officer of the Company. We will separately deliver copies of the amended Registration Statement, marked to show changes responsive to the Comment letter, to members of the Staff specified in the Comment Letter.

The numbered responses below correspond to the numbered paragraphs of the Comment Letter.

Summary

Our Pending Acquisitions and Developments, page 5

1. Please clarify the source of funds that will be used to acquire the Redding, California and Denham Springs, Louisiana properties. The heading under which these properties are listed states that proceeds from this offering will be used to pay for the properties, but they are not listed in the "Use of Proceeds" section. Please revise or advise.

RESPONSE: We supplementally advise the Staff that the Redding, California transaction was completed on June 30, 2005 using available cash, and that we have funded $5.5 million of the $6.0 million loan to the current owner of the Denham Springs, Louisiana facility using available cash. Please note that the first sentence under the heading "Our Pending Acquisitions and Developments" on page 5 states that: "We intend to use the net proceeds of this offering and a portion of our available cash and cash equivalents to expand our portfolio..." (emphasis added).

Our Portfolio

Our Pending Acquisitions and Developments, page 92

2. We note that the Vibra entities and Mr. Hollinger will be required to act as guarantors of the Redding, CA property. Please clarify whether Mr. Hollinger's guaranty is capped at $5 million or any other level, consistent with his exposure in the other Vibra transactions. In addition, please disclose how these guaranties will rank vis-a-vis the guaranties attached to the other Vibra transactions.

RESPONSE: We supplementally advise the Staff that Mr. Hollinger is not a guarantor of the Redding, California property. We have revised the Registration Statement to state that the guaranties of Vibra, Vibra Management and The Hollinger Group of the lease for the Redding Facility are of equal priority with the guaranties relating to the leases for the Vibra Facilities and the Vibra loan. See pages 80 and 83.

Selling Stockholders, page 117

3. Please revise to name the natural persons holding voting control and dispositive powers over all entities listed in the table, unless the entities are public companies, investment companies or wholly-owned subsidiaries of public companies.

RESPONSE: We have revised the Registration Statement as requested. See page 118.

Please do not hesitate to contact the undersigned or, in his absence, Thomas O. Kolb (205) 250-8321, if you have any questions or comments relating to the Company's response to the Comment letter.

Very truly yours,

/s/ B. G. Minisman, Jr.

B. G. Minisman, Jr.
of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

cc: Andrew Mew
Cicely Luckey
Michael McTiernan
Medical Properties Trust, Inc.
Hunton & Williams, LLP