REGISTRATION NO. 333-119957

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 17, 2005.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 5

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
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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 JUNE 17, 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.

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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 eleven facilities, consisting of eight 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. We acquired a long-term acute care hospital in June 2005 for a purchase price of $11.5 million from Covington Healthcare Properties, L.L.C.

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 eleven healthcare facilities, eight of which are in operation and three of which are under development. Six of the facilities in operation, which consist of four rehabilitation hospitals and two long-term acute care hospitals, 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. The 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. The eighth 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. 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 15, 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(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
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	--	--	606	$13,150,010	$17,358,827	$20,162,999

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
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	$166,872,195	--

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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.

Facilities Under Development

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 ANNUALIZED BASE RENT	2005 CONTRACTUAL BASE RENT	2006 CONTRACTUAL BASE RENT
Houston, Texas.....	Community hospital	North Cypress 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

LOCATION	PROJECTED DEVELOPMENT COST(2)	LEASE 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 licensed 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 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 -- Acquisitions

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	YEAR ONE CONTRACTUAL BASE RENT	ANNUAL MINIMUM INCREASE IN RENT	GROSS PURCHASE PRICE	LEASE EXPIRATION
Redding, California*.....	Community hospital	Vibra Healthcare, LLC	88	2,178,750(2)	2.5%(3)	$20,750,000	June 2020(4)

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* Under letter of commitment.

(1) Based on the number of licensed beds.

(2) Year One is the 12 month period commencing on an expected closing date at

the end of June 2005.

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

(4) The lease expiration is based upon a 15 year term commencing on an expected closing date at the end of June 2005.

Operating Facilities -- Loans and Acquisitions

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, we will lease it 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

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

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* Under letter of commitment.
** Under contract.
(1) Based on the number of licensed 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.

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 eleven facilities and properties under development, consisting of eight 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 $166.9 million to acquire our eight 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 $35.1 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

(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 and the Covington 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 and the Covington 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	$ 7,321,009	$ 5,268,490	$ 27,705,869	$ 8,611,344
Interest income from loans	1,212,038	1,212,038	5,037,049	2,282,115
Total revenues	8,533,047	6,480,528	32,742,918	10,893,459
Operating expenses				
Depreciation and amortization	1,258,940	842,407	5,035,757	1,478,470
General and administrative	1,698,249	1,698,249	5,057,284	5,057,284
Total operating expenses	3,009,750	2,593,217	10,865,390	7,214,601
Operating income	5,523,297	3,887,311	21,877,528	3,678,858
Net other income (expense)	(327,377)	(327,377)	897,491	897,491
Net income	5,195,920	3,559,934	22,775,019	4,576,349
Net income per share, basic and diluted	0.14	0.14	0.74	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).....	$6,454,860	$ 4,402,341	$27,810,776	$ 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	$5,195,920	$3,559,934	$22,775,019	$4,576,349
Depreciation and amortization	1,258,940	842,407	5,035,757	1,478,470
Funds from operations	$6,454,860	$4,402,341	$27,810,776	$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. The Vibra leases and 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 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 its facilities 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 Vibra lease is guaranteed by Brad E. Hollinger, chief executive officer of The Hollinger Group, 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'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 the Vibra Facilities. 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 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.

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

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 Vibra lease, 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 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 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 one of our facilities and one property under development by acquiring leasehold interests in the land on which the facility is or the property 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 our use of the property to operation of a 76 bed rehabilitation hospital. This restriction 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 and the Covington 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 and the Covington 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	$ 7,321,009	$ 5,268,490	$27,705,869	$ 8,611,344
Interest income from loans	1,212,038	1,212,038	5,037,049	2,282,115
Total revenues	8,533,047	6,480,528	32,742,918	10,893,459
Operating expenses				
Depreciation and amortization	1,258,940	842,407	5,035,757	1,478,470
General and administrative	1,698,249	1,698,249	5,057,284	5,057,284
Total operating expenses	3,009,750	2,593,217	10,865,390	7,214,601
Operating income	5,523,297	3,887,311	21,877,528	3,678,858
Net other income (expense)	(327,377)	(327,377)	897,491	897,491
Net income	5,195,920	3,559,934	22,775,019	4,576,349
Net income per share, basic and diluted	0.14	0.14	0.74	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)	$6,454,860	$ 4,402,341	$27,810,776	$ 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	$5,195,920	$3,559,934	$22,775,019	$4,576,349
Depreciation and amortization	1,258,940	842,407	5,035,757	1,478,470
Funds from operations	$6,454,860	$4,402,341	$27,810,776	$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 and two long-term acute care hospitals 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	$5,195,920	$3,559,934	$22,775,019	$4,576,349
Depreciation and amortization	1,258,940	842,407	5,035,757	1,478,470
Funds from operations	$6,454,860	$4,402,341	$27,810,776	$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 eleven facilities, consisting of eight 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 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 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 eleven facilities, consisting of eight 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 $166.9 million to acquire our eight 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 $35.1 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 revises 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 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 percent 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 eleven healthcare facilities, eight 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. 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 15, 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(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	Vibra Healthcare,				

	hospital	LLC(4)	90	2,262,979	2,426,320	2,767,624
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.....	--	--	606	$13,150,010	$17,358,827	$20,162,999

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
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.....	$166,872,195	--

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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.

Facilities Under Development

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	2004 ANNUALIZED BASE RENT	2005 CONTRACTUAL BASE RENT	2006 CONTRACTUAL BASE RENT
Houston, Texas.....	Community hospital	North Cypress 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

LOCATION	PROJECTED DEVELOPMENT COST(2)	LEASE 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 licensed 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 Senior Real Estate Holdings, LLC, D/B/A The Hollinger Group, or 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, 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. 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 Vibra lease 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 at our request. Prior to execution of this amendment, Vibra did not meet the fixed charge coverage ratios required by the lease agreements. 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 Vibra lease 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 Vibra tenants 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 the Vibra Facilities.

Each Vibra lease is cross-defaulted with the other leases for the Vibra Facilities. 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, each of the Vibra tenants has granted us a security interest in all personal property, other than receivables, located at the Vibra Facilities. The management fees that the Vibra tenants pay to Vibra Management, LLC are subordinated to the rents payable to us under the Vibra leases.

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 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 loans.

Purchase Option. At the expiration of each Vibra lease, 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	
	LAND	BUILDINGS	ANNUAL 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%.

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. 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 for a term of 15 years with three five year renewal options 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, an

inspection fee of $75,000 was paid to the MPT lender 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		DEPRECIATION			ESTIMATED 2005 REAL ESTATE	
	LAND	BUILDINGS	ANNUAL 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 -- Acquisitions

LOCATION	TYPE	TENANT	NUMBER OF BEDS(1)	YEAR ONE CONTRACTUAL BASE RENT	ANNUAL MINIMUM INCREASE IN RENT	GROSS PURCHASE PRICE	LEASE EXPIRATION
Redding, California*.....	Community hospital	Vibra Healthcare, LLC	88	2,178,750(2)	2.5%(3)	$20,750,000	June 2020(4)

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* Under letter of commitment.

(1) Based on the number of licensed beds.

(2) Year One is the 12 month period commencing on an expected closing date at the end of June 2005.

(3) The annual rent increase is the greater of 2.5% and any change in the CPI.

(4) The lease expiration is based upon a 15 year term commencing on an expected closing date at the end of June 2005.

Operating Facilities -- Loans and Acquisitions

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, we will lease it 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

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

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* Under letter of commitment.

** Under contract.

(1) Based on the number of licensed 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.

REDDING, CALIFORNIA

General. On May 9, 2005, we entered into a letter of commitment with Vibra to purchase, through a long-term ground lease for the land and a purchase of the improvements subject to the ground lease, a community hospital located in Redding, California. Vibra has entered into a definitive agreement with Ocadian Care Centers, LLC, or Ocadian, to ground lease the real estate and purchase the operations of the facility and, upon Vibra's lease and purchase from Ocadian, Vibra would assign the ground lease interest to us and we would purchase the improvements. The term of the ground lease expires on November 16, 2075. The 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. Our purchase price for the assignment of the ground lease and purchase of the improvements of the facility will be approximately $20.8 million. Vibra will use the proceeds to acquire the facility and the operations at the facility, upgrade equipment, convert the hospital to a long-term acute care facility and for working capital. The letter of commitment provides that the purchase price may be adjusted but in no event shall the purchase price exceed (i) the appraised value of the facility, (ii) the replacement cost of the facility, or (iii) an amount that gives an EBITDAR coverage based on the base rent of at least 200% for the facility. The purchase price for the 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 intend to form a Delaware limited liability company, MPT of Redding, LLC, which will own the facility. Initially, our operating partnership will own all of the membership interests in the limited liability company; however, at some point following closing, 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 letter of commitment provides that at the time we acquire the facility, we will sublease 100% of the facility to Vibra or its affiliate, or tenant, for a 15-year term, with three options to renew for five years each. We expect the sublease, or 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. The lease will require the tenant to pay base rent in an amount equal to 10.5% per annum of the purchase price, which base rent will be payable in monthly installments. The lease will also provide that on each January 1, commencing on January 1, 2006, 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; provided, however,

such escalator shall be prorated for the period between the closing of our purchase of the facility and January 1, 2006. The lease will require the tenant to pay to us, or our designated affiliate, an annual

inspection fee equal to $5,000, which fee will increase by 2.5% each January 1 during the lease term. The lease will also require the tenant to carry customary insurance which is adequate to satisfy our underwriting standards.

Reserve for Extraordinary Repairs. The letter of commitment provides that the lease will require the tenant, commencing on the date we purchase the facility, to make deposits into a reserve account equal to $1,500 per bed, increasing on each 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 letter of commitment provides that we will obtain guaranty agreements from Mr. Hollinger, Vibra, Vibra Management, LLC and The Hollinger Group that obligate them to make lease payments in the event that Vibra or the Vibra tenant fails 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 obligations. In addition, 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 and subject to the prior lien of any purchase money lender with respect to tangible personal property, located and to be located at the facility, and an assignment of rents and leases. The letter of commitment provides that 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 three months' base rent under the lease; or, in lieu of such letter of credit, tenant shall make a cash deposit with us in an amount equal to three months' base rent under the lease. 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 and Mr. Hollinger, or their affiliates, on the other hand.

Commitment Fee. We have been paid a non-refundable commitment fee equal to 0.5% of the purchase price.

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. 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 June 30, 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. We expect that in June 2005 several of our current independent directors will purchase the aggregate of 8,000 shares of common stock owned by these former directors at a price of $10.05 per share. Upon completion of this transaction, the former directors will have no continuing equity interest in our company.

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 Officer and President	2003	145,833(4)	145,833		10,492(5)	9,249(6)
Emmett E. McLean	2004	$250,000	$250,000	20,500	$24,385(7)	$15,385(3)
Executive Vice President, Chief Operating Officer, Treasurer and Assistant Secretary	2003	104,167(4)	104,167		--	10,896(8)
R. Steven Hamner	2004	$250,000	$250,000	27,000	$24,385(7)	$15,385(3)
Executive Vice President and Chief Financial Officer	2003	104,167(4)	104,167		--	5,918(9)
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, Secretary and General Counsel	2003	--	--	--	--	--

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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 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.	407,000	407,000	1.56%	0	*
Elm Ridge Capital Partners, L.P.	266,000	266,000	1.02%	0	*
Elm Ridge Value Partners, L.P.	27,000	27,000	*	0	*
HFR ED Master Performance Trust	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.

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	DIVIDENDS	COMPLETED ACQUISITION TRANSACTIONS — GULF STATES-COVINGTON	PRO FORMA EFFECT OF COMPLETED TRANSACTIONS	EFFECT OF THIS OFFERING
ASSETS					
Real estate assets					
Land	$ 12,670,000	$ --	$ 821,429(2)	$ 13,491,429	$ --
Buildings and improvements	136,381,785	--	10,234,101(2)	146,615,886	--
Construction in progress	36,757,429		--(2)	36,757,429	
Intangible lease assets	6,320,410	--	444,470(2)	6,764,880	--
Gross investment in real estate assets	192,129,624	--	11,500,000	203,629,624	--
Accumulated depreciation and amortization	(2,320,877)	--	--	(2,320,877)	--
Net investment in real estate assets	189,808,747	--	11,500,000	201,308,747	--
Cash and cash equivalents	82,053,255	(7,055,493)(1)	(11,500,000)(2)	63,497,762	113,263,950(3)
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	$113,263,950
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	11,553(3)(6)
Additional paid in capital	233,701,690	--	--	233,701,690	115,320,397(3)(6)
Accumulated deficit	(1,233,510)	(4,186,378)	--	(5,419,888)	(2,068,000)(3)(6)
Total stockholders' equity	232,494,263	(4,186,378)	--	228,307,885	113,263,950
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$326,304,079	$(7,055,493)	$ --	$319,248,586	$113,263,950

	PROBABLE ACQUISITION TRANSACTIONS		
	GULF STATES HEALTH	VIBRA-REDDING	COMPANY PRO FORMA
ASSETS			
Real estate assets			
Land	$ 1,163,214(4)	$ 1,482,143(5)	$ 16,136,786
Buildings and improvements	14,492,378(4)	18,465,879(5)	179,574,143
Construction in progress	--	--	36,757,429
Intangible lease assets	629,408(4)	801,978(5)	8,196,266
Gross investment in real estate assets	16,285,000	20,750,000	240,664,624
Accumulated depreciation and amortization	--	--	(2,320,877)
Net investment in real estate assets	16,285,000	20,750,000	238,343,747
Cash and cash equivalents	(16,285,000)(4)	(20,750,000)(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	$ --	$ --	$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,	--	--	37,636
Additional paid in capital	--	--	349,022,087
Accumulated deficit	--	--	(7,487,888)
Total stockholders' equity	--	--	341,571,835
TOTAL LIABILITIES AND			

STOCKHOLDERS' EQUITY.....	$ --	$ --	$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

		COMPLETED ACQUISITION TRANSACTIONS			PROBABLE ACQUISITION TRANSACTIONS		
	HISTORICAL	DESERT VALLEY-VICTORVILLE	GULF STATES-COVINGTON	PRO FORMA EFFECT OF COMPLETED TRANSACTIONS	GULF STATES HEALTH	VIBRA-REDDING	COMPANY PRO FORMA
REVENUES							
Rent income.....	$ 5,268,490	$529,449(7)	$360,880(8)	$ 6,158,819	$511,037(9)	$651,153(10)	$ 7,321,009
Interest income from loans.....	1,212,038	--	--	1,212,038	--	--	1,212,038
Total revenues...	6,480,528	529,449	360,880	7,370,857	511,037	651,153	8,533,047
EXPENSES							
Depreciation and amortization.....	842,407	115,316(7)	71,371(8)	1,029,094	101,068(9)	128,778(10)	1,258,940
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	2,779,904	101,068	128,778	3,009,750
Operating income....	3,887,311	414,133	289,509	4,590,953	409,969	522,375	5,523,297
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	$ 4,263,576	$409,969	$522,375	$ 5,195,920
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

	HISTORICAL	COMPLETED ACQUISITION TRANSACTIONS: VIBRA FACILITIES	COMPLETED ACQUISITION TRANSACTIONS: DESERT VALLEY-VICTORVILLE	COMPLETED ACQUISITION TRANSACTIONS: GULF STATES-COVINGTON	PRO FORMA EFFECT OF COMPLETED TRANSACTIONS
REVENUES					
Rent income	$ 8,611,344	$ 9,774,139(12)	$3,228,104(13)	$1,443,520(14)	$23,057,107
Interest income from loans	2,282,115	2,754,934(12)	--	--	5,037,049
Total revenues	10,893,459	12,529,073	3,228,104	1,443,520	28,094,156
EXPENSES					
Depreciation and amortization	1,478,470	1,660,526(12)	691,894(13)	285,484(14)	4,116,374
Property expenses	93,502	93,502(12)	--	--	187,004
General and administrative	5,057,284	--	--	--	5,057,284
Costs of terminated acquisitions	585,345	--	--	--	585,345
Total operating expense	7,214,601	1,754,028	691,894	285,484	9,946,007
Operating income	3,678,858	10,775,045	2,536,210	1,158,036	18,148,149
OTHER INCOME (EXPENSE)					
Interest income	930,260	--	--	--	930,260
Interest expense	(32,769)	--	--	--	(32,769)
Net other income	897,491	--	--	--	897,491
NET INCOME	$ 4,576,349	$10,775,045	$2,536,210	$1,158,036	$19,045,640
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 TRANSACTIONS: GULF STATES HEALTH	PROBABLE ACQUISITION TRANSACTIONS: VIBRA-REDDING	COMPANY PRO FORMA
REVENUES			
Rent income	$2,044,150(15)	$2,604,612(16)	$27,705,869
Interest income from loans	--	--	5,037,049
Total revenues	2,044,150	2,604,612	32,742,918
EXPENSES			
Depreciation and amortization	404,271(15)	515,112(16)	5,035,757
Property expenses	--	--	187,004
General and administrative	--	--	5,057,284
Costs of terminated acquisitions	--	--	585,345
Total operating expense	404,271	515,112	10,865,390
Operating income	1,639,879	2,089,500	21,877,528
OTHER INCOME (EXPENSE)			
Interest income	--	--	930,260
Interest expense	--	--	(32,769)
Net other income	--	--	897,491
NET INCOME	$1,639,879	$2,089,500	$22,775,019
NET INCOME PER			

SHARE -- BASIC.....	$ 0.74
NET INCOME PER SHARE -- DILUTED...	$ 0.74
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) 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

(4) 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		TOTAL FOR GULF STATES HEALTH PROBABLE ACQUISITIONS
	DENHAM SPRINGS	HAMMOND	
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

(5) Probable Acquisition: Records the acquisition of the Vibra-Redding facility as though we acquired it on March 31, 2005. The Company has not closed on the acquisition of this facility, but the Company believes that the acquisition is probable.

Land	$ 1,482,143
Building	18,465,879
Intangible lease assets	801,978
Total cost	$20,750,000

(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 FOR THREE MONTHS	HISTORICAL DEPRECIATION AND AMORTIZATION FOR FEBRUARY 28 - MARCH 31, 2005	PRO FORMA DEPRECIATION AND AMORTIZATION
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) 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		ANNUAL DEPRECIATION AND AMORTIZATION	DEPRECIATION AND AMORTIZATION FOR THREE MONTHS
	DENHAM SPRINGS	HAMMOND		
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

(10) Probable 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 quarter ended March 31, 2005 consists of the following:

	ANNUAL RENT	THREE MONTHS RENT
Vibra -- Redding	$2,604,612	$651,153

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
Land	$ 1,482,143	$ --	$ --
Buildings	18,465,879	461,647	115,412
Intangible lease assets	801,978	53,465	13,366
	$20,750,000	$515,112	$128,778

(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.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

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) Probable 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) 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

	DENHAM SPRINGS	HAMMOND	DEPRECIATION AND AMORTIZATION
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

(16) Probable 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	$2,604,612

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	$ 1,482,143	$ --
Buildings	18,465,879	461,647
Intangible lease assets	801,978	53,465
	$20,750,000	$515,112

(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 MARCH 31, 2005	THREE MONTHS ENDED 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.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

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		COMMON				TOTAL
	SHARES	PAR VALUE	SHARES	PAR VALUE	ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	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.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

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

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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

LOCATION	TYPE OF PROPERTY	INITIAL COSTS		ADDITIONS SUBSEQUENT TO ACQUISITION	
		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 hospital	2,520,000	4,765,176	--	--
Marlton, NJ	Rehabilitation hospital	--	30,903,051	--	--
New Bedford, NJ	Long term acute care hospital	1,400,000	19,772,169	--	--
	TOTAL	$10,670,000	$111,387,232	$ --	$ --

LOCATION	COST AT DECEMBER 31, 2004			ACCUMULATED DEPRECIATION	DATE OF CONSTRUCTION	DATE ACQUIRED
	LAND	BUILDINGS(1)	TOTAL			
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		

LOCATION	DEPRECIABLE 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	$ --

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(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.

VIBRA HEALTHCARE, LLC AND SUBSIDIARIES

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:

	(IN THOUSANDS)
December 31, 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.

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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	43,000
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	594,961
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
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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
5.1*	Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to the legality of the shares being registered
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10.24**	Loan Agreement between Merrill Lynch Capital and 4499 Acushnet Avenue, LLC, 8451 Pearl Street, LLC, 92 Brick Road,

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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 June 16, 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 and Chief Executive Officer	June 16, 2005
Edward K. Aldag, Jr.		
/s/ R. STEVEN HAMNER	Executive Vice President, Chief Financial Officer and Director	June 16, 2005
R. Steven Hamner		
*	Director	June 16, 2005
Virginia A. Clarke		
*	Director	June 16, 2005
G. Steven Dawson		
*	Director	June 16, 2005
Bryan L. Goolsby		
*	Director	June 16, 2005
Robert E. Holmes, Ph.D.		
*	Vice Chairman of the Board	June 16, 2005
William G. McKenzie		
*	Director	June 16, 2005
L. Glenn Orr, Jr.		
*By: /s/ R. STEVEN HAMNER		June 16, 2005
R. Steven Hamner, Attorney-in-Fact		

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* To be filed by amendment.

** Previously filed.

EXHIBIT 10.1

FIRST AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

MPT OPERATING PARTNERSHIP, L.P.

TABLE OF CONTENTS

EXHIBITS

EXHIBIT A - Partners, Capital Contributions and Percentage Interests

EXHIBIT B - Notice of Exercise of Redemption Right

EXHIBIT C - Certification of Non-Foreign Status

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP
OF
MPT OPERATING PARTNERSHIP, L.P.

This Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. is made and entered into as of the 29th day of February, 2004 by and among MPT Operating Partnership, L.P. (the "Partnership"), Medical Properties Trust, LLC, a Delaware limited liability company and currently the sole general partner of the Partnership, and Medical Properties Trust, Inc., a Maryland corporation (the "Company"), as well as the other limited partners who from time to time execute this Agreement or counterparts hereof as limited partners.

RECITALS:

WHEREAS, the Partnership was formed as a limited partnership under the laws of the State of Delaware, pursuant to a Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware effective as of September 10, 2003 and an Agreement of Limited Partnership entered into as of September 10, 2003;

WHEREAS, the parties desire to amend the Agreement of Limited Partnership and restate it in its entirety as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants of the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Agreement of Limited Partnership shall be amended and restated as follows:

ARTICLE I

DEFINED TERMS

The following defined terms used in this Agreement shall have the meanings specified below:

"ACT" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time.

"ADDITIONAL FUNDS" has the meaning set forth in Section 4.03 hereof.

"ADDITIONAL SECURITIES" means any additional REIT Shares (other than REIT Shares issued in connection with an exchange pursuant to Section 8.04 hereof) or rights, options,

warrants or convertible or exchangeable securities containing the right to subscribe for or purchase REIT Shares, as set forth in Section 4.02(a)(ii).

"ADMINISTRATIVE EXPENSES" means (i) all administrative and operating costs and expenses incurred by the Partnership, (ii) those administrative costs and expenses of the General Partner or the Company, including any salaries or other payments to directors, officers or employees of the General Partner or the Company, and any accounting and legal expenses of the General Partner or the Company, which expenses, the Partners have agreed, are expenses of the Partnership and not the General Partner or the Company, and (iii) to the extent not included in clauses (i) or (ii) above, REIT Expenses; provided, however, that Administrative Expenses shall not include any administrative costs and expenses incurred by the General Partner or the Company that are attributable to Properties or partnership interests in a Subsidiary Partnership that are owned by the General Partner or the Company or other than through its ownership interest in the Partnership.

"AFFILIATE" means, (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 partnership interests or otherwise.

"AGREED VALUE" means the fair market value of a Partner's non-cash Capital Contribution (net of assumed liabilities) as of the date of contribution as agreed to by such Partner and the General Partner. The names and addresses of the Partners, number of Partnership Units issued to each Partner, and the Agreed Value of non-cash Capital Contributions as of the date of contribution is set forth on Exhibit A.

"AGREEMENT" means this First Amended and Restated Agreement of Limited Partnership.

"ARTICLES OF INCORPORATION" means the Articles of Incorporation of the Company filed with the Maryland State Department of Assessments and Taxation, as amended or restated from time to time.

"BOARD OF DIRECTORS" means the Board of Directors of the Company.

"CAPITAL ACCOUNT" has the meaning provided in Section 4.04 hereof.

"CAPITAL CONTRIBUTION" means the total amount of cash, cash equivalents, and the Agreed Value of any Property or other asset contributed or agreed to be contributed, as the context requires, to the Partnership by each Partner pursuant to the terms of the Agreement. Any

reference to the Capital Contribution of a Partner shall include the Capital Contribution made by a predecessor holder of the Partnership Interest of such Partner.

"CASH AMOUNT" means an amount of cash per Partnership Unit equal to the Value of the REIT Shares Amount on the date of receipt by the Partnership and the Company of a Notice of Redemption.

"CERTIFICATE" means any instrument or document that is required under the laws of the State of Delaware, or any other jurisdiction in which the Partnership conducts business, to be signed and sworn to by the Partners of the Partnership (either by themselves or pursuant to the power-of-attorney granted to the General Partner in Section 8.02 hereof) and filed for recording in the appropriate public offices within the State of Delaware or such other jurisdiction to perfect or maintain the Partnership as a limited partnership, to effect the admission, withdrawal or substitution of any Partner of the Partnership, or to protect the limited liability of the Limited Partners as limited partners under the laws of the State of Delaware or such other jurisdiction.

"CODE" means the Internal Revenue Code of 1986, as amended, and as hereafter amended from time to time. Reference to any particular provision of the Code shall mean that provision in the Code at the date hereof and any successor provision of the Code.

"COMMISSION" means the U.S. Securities and Exchange Commission.

"COMMON SHARE" means one share of common stock, $.01 par value, of the Company.

"COMPANY" means Medical Properties Trust, Inc., a Maryland corporation electing to be taxed as a real estate investment trust under Sections 856 through 860 of the Code.

"CONVERSION FACTOR" means 1.0, provided that in the event that the Company (i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares, (ii) subdivides its outstanding REIT Shares or (iii) combines its outstanding REIT Shares into a smaller number of REIT Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purposes that such dividend, distribution, subdivision or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on such date and, provided further, that in the event that an entity other than an Affiliate of the Company shall become general partner pursuant to any merger, consolidation or combination of the Company with or into another entity (the "Successor Entity"), the Conversion Factor shall be adjusted by multiplying the Conversion Factor by the number of shares of the Successor Entity into which one REIT Share is converted pursuant to such merger, consolidation or combination, determined as of the date of such merger, consolidation or combination. Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event; provided, however, that if the Company and the Partnership receive a Notice of Redemption after the record date, but prior to the effective date of such dividend, distribution, subdivision or combination, the Conversion Factor shall be determined as if the Company and

the Partnership had received the Notice of Redemption immediately prior to the record date for such dividend, distribution, subdivision or combination.

"DEFAULTING LIMITED PARTNER" has the meaning set forth in Section 5.02(c) hereof.

"DISTRIBUTABLE AMOUNT" has the meaning set forth in Section 5.02(c) hereof.

"EVENT OF BANKRUPTCY" as to any Person means the filing of a petition for relief as to such Person as debtor or bankrupt under the Bankruptcy Code of 1978 or similar provision of law of any jurisdiction (except if such petition is contested by such Person and has been dismissed within 90 days); insolvency or bankruptcy of such Person as finally determined by a court proceeding; filing by such Person of a petition or application to accomplish the same or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; commencement of any proceedings relating to such Person as a debtor under any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 90 days.

"GENERAL PARTNER" means Medical Properties Trust, LLC and any Person who becomes a substitute or additional General Partner as provided herein, and any of their successors as General Partner.

"GENERAL PARTNERSHIP INTEREST" means a Partnership Interest held by the General Partner that is a general partnership interest.

"GENERAL PARTNER LOAN" has the meaning set forth in Section 5.02(c) hereof.

"INDEMNITEE" means (i) any Person made a party to a proceeding by reason of its status as the Company, the General Partner or a director, officer or employee of the Company, the Partnership or the General Partner, and (ii) such other Persons (including Affiliates of the Company, General Partner or the Partnership) as the General Partner may designate from time to time, in its sole and absolute discretion.

"LIMITED PARTNER" means any Person named as a Limited Partner on Exhibit A attached hereto, and any Person who becomes a Substitute or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"LIMITED PARTNERSHIP INTEREST" means the ownership interest of a Limited Partner in the Partnership at any particular time, including the right of such Limited Partner to any and all benefits to which such Limited Partner may be entitled as provided in this Agreement and in the Act, together with the obligations of such Limited Partner to comply with all the provisions of this Agreement and of such Act.

"LOSS" has the meaning provided in Section 5.01(g) hereof.

"NOTICE OF REDEMPTION" means the Notice of Exercise of Redemption Right substantially in the form attached as Exhibit B hereto.

"NYSE" means the New York Stock Exchange.

"OFFER" has the meaning set forth in Section 7.01(c) hereof.

"ORIGINAL AGREEMENT" has the meaning set forth in the Recitals.

"ORIGINAL LIMITED PARTNER" means James L. Francis.

"PARTNER" means any General Partner or Limited Partner.

"PARTNER NONRECOURSE DEBT MINIMUM GAIN" has the meaning set forth in Regulations Section 1.704-2(i). A Partner's share of Partner Nonrecourse Debt Minimum Gain shall be determined in accordance with Regulations Section 1.704-2(i)(5).

"PARTNERSHIP INTEREST" means an ownership interest in the Partnership held by either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to

comply with the terms and provisions of this Agreement.

"PARTNERSHIP MINIMUM GAIN" has the meaning set forth in Regulations Section 1.704-2(d). In accordance with Regulations Section 1.704-2(d), the amount of Partnership Minimum Gain is determined by first computing, for each Partnership nonrecourse liability, any gain the Partnership would realize if it disposed of the property subject to that liability for no consideration other than full satisfaction of the liability, and then aggregating the separately computed gains. A Partner's share of Partnership Minimum Gain shall be determined in accordance with Regulations Section 1.704-2(g)(1).

"PARTNERSHIP RECORD DATE" means the record date established by the General Partner for the distribution of cash pursuant to Section 5.02 hereof, which record date shall be the same as the record date established by the Company for a distribution to its stockholders of some or all of its portion of such distribution received through the General Partner.

"PARTNERSHIP UNIT" means a fractional, undivided share of the Partnership Interests of all Partners issued hereunder. The allocation of Partnership Units among the Partners shall be as set forth on Exhibit A, as may be amended from time to time.

"PERCENTAGE INTEREST" means the percentage ownership interest in the Partnership of each Partner, as determined by dividing the Partnership Units owned by a Partner by the total number of Partnership Units then outstanding. The Percentage Interest of each Partner shall be as set forth on Exhibit A, as may be amended from time to time.

"PERSON" means any individual, partnership, corporation, limited liability company, joint venture, trust or other entity.

"PROFIT" has the meaning provided in Section 5.01(g) hereof.

"PROPERTY" means any property or other investment in which the Partnership holds an ownership interest.

"REDEMPTION AMOUNT" means either the Cash Amount or the REIT Shares Amount, as selected by the Partnership or as directed by the General Partner pursuant to Section 8.04(b) hereof.

"REDEMPTION RIGHT" has the meaning provided in Section 8.04(a) hereof.

"REDEEMING LIMITED PARTNER" has the meaning provided in Section 8.04(a) hereof.

"REGULATIONS" means the Federal Income Tax Regulations issued under the Code, as amended and as hereafter amended from time to time. Reference to any particular provision of the Regulations shall mean that provision of the Regulations on the date hereof and any successor provision of the Regulations.

"REIT" means a real estate investment trust under Sections 856 through 860 of the Code.

"REIT EXPENSES" means (i) costs and expenses relating to the formation and continuity of existence and operation of the Company and any Subsidiaries thereof (which Subsidiaries shall, for purposes hereof, be included within the definition of Company), including taxes, fees and assessments associated therewith, any and all costs, expenses or fees payable to any director, officer or employee of the Company, (ii) costs and expenses relating to any public offering and registration, or private offering, of securities by the Company and all statements, reports, fees and expenses incidental thereto, including, without limitation, underwriting discounts and selling commissions applicable to any such offering of securities, and any costs and expenses associated with any claims made by any holders of such securities or any underwriters or placement agents thereof, (iii) costs and expenses associated with any repurchase of any securities by the Company, (iv) costs and expenses associated with the preparation and filing of any periodic or other reports and communications by the Company under federal, state or local laws or regulations, including filings with the Commission, (v) costs and expenses associated with compliance by the Company with laws, rules and regulations promulgated by any regulatory body,

including the Commission and any securities exchange, (vi) costs and expenses associated with any 401(k) plan, incentive plan, bonus plan or other plan providing for compensation for the employees of the Company, (vii) costs and expenses incurred by the Company relating to any issuing or redemption of Partnership Interests and (viii) all other operating or administrative costs of the Company or any subsidiary, including the General Partner, incurred in the ordinary course of its business on behalf of or in connection with the Partnership.

"REIT SHARE" means a Common Share of the Company (or Successor Entity, as the case may be).

"REIT SHARES AMOUNT" means a number of REIT Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Limited Partner, multiplied by the Conversion Factor as adjusted to and including the Specified Redemption Date; provided that in the event the Company issues to all holders of REIT Shares rights, options, warrants or convertible or exchangeable securities entitling the stockholders to subscribe for or purchase

REIT Shares, or any other securities or property (collectively, the "rights"), and the rights have not expired at the Specified Redemption Date, then the REIT Shares Amount shall also include the rights issuable to a holder of the REIT Shares Amount on the record date fixed for purposes of determining the holders of REIT Shares entitled to rights.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SERVICE" means the Internal Revenue Service.

"SPECIFIED REDEMPTION DATE" means the first business day of the month that is at least 60 calendar days after the receipt by the Partnership of a Notice of Redemption.

"SUBSIDIARY" means, with respect to any Person, any corporation, partnership, limited liability company or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"SUBSIDIARY PARTNERSHIP" means any partnership or limited liability company in which the Company, a Subsidiary of the Company or the Partnership owns a partnership interest.

"SUBSTITUTE LIMITED PARTNER" means any Person admitted to the Partnership as a Limited Partner pursuant to Section 9.03 hereof.

"SUCCESSOR ENTITY" has the meaning provided in the definition of "Conversion Factor" contained herein.

"SURVIVING GENERAL PARTNER" has the meaning set forth in Section 7.01(d) hereof.

"TRADING DAY" means a day on which the principal national securities exchange on which a security is listed or admitted to trading is open for the transaction of business or, if a security is not listed or admitted to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"TRANSACTION" has the meaning set forth in Section 7.01(c) hereof.

"TRANSFER" has the meaning set forth in Section 9.02(a) hereof.

"VALUE" means, with respect to any security, the average of the daily market price of such security for the ten consecutive Trading Days immediately preceding the date of such valuation. The market price for each such Trading Day shall be: (i) if the security is listed or admitted to trading on the NYSE or any securities exchange, the last reported sale price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices, regular way, on such day, (ii) if the security is not listed or admitted to trading on the NYSE or any securities exchange, the last reported

sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or (iii) if the security is not listed or admitted to trading on the NYSE or on any securities exchange and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low

asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than ten days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten days prior to the date in question, the value of the security shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the security includes any additional rights, then the value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

"WITHHELD AMOUNT" has the meaning set forth in Section 5.02(c) hereof.

ARTICLE II

FORMATION OF PARTNERSHIP

2.01 CONTINUATION. The Partners hereby agree to continue the Partnership pursuant to the Act and upon the terms and conditions set forth in this Agreement.

2.02 NAME, OFFICE AND REGISTERED AGENT. The name of the Partnership is MPT Operating Partnership, L.P. The specified office and place of business of the Partnership shall be 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242. The General Partner may at any time change the location of such office, provided the General Partner gives notice to the Partners of any such change. The name of the Partnership's registered agent is National Registered Agents, Inc. whose business address is 9 East Loocheman Street, Suite 1B, Dover, Delaware 19901. The sole duty of the registered agent as such is to forward to the Partnership any notice that is served on it as registered agent.

2.03 PARTNERS.

(a) The General Partner of the Partnership is Medical Properties Trust, LLC, a Delaware limited liability company. Its principal place of business is the same as that of the Partnership.

(b) The Limited Partners are those Persons identified as Limited Partners on Exhibit A hereto, as amended from time to time.

2.04 TERM AND DISSOLUTION.

(a) The Partnership's existence shall be perpetual, except that the Partnership shall be dissolved upon the first to occur of any of the following events:

(i) The occurrence of an Event of Bankruptcy as to the General Partner or the dissolution, death, removal or withdrawal of the General Partner unless the business of the Partnership is continued pursuant to Section 7.03(b) hereof; provided that if the General Partner is on the date of such occurrence a partnership, the dissolution of the General Partner as a result of the dissolution, death, withdrawal, removal or Event of

Bankruptcy of a partner in such partnership shall not be an

event of dissolution of the Partnership if the business of the General Partner is continued by the remaining partner or partners, either alone or with additional partners, and the General Partner and such partners comply with any other applicable requirements of this Agreement;

(ii) The passage of 90 days after the sale or other disposition of all or substantially all of the assets of the Partnership (provided that if the Partnership receives an installment obligation as consideration for such sale or other disposition, the Partnership shall continue, unless sooner dissolved under the provisions of this Agreement, until such time as such note or notes are paid in full); or

(iii) The election by the General Partner that the Partnership should be dissolved.

(b) Upon dissolution of the Partnership (unless the business of the Partnership is continued pursuant to Section 7.03(b) hereof), the General Partner (or its trustee, receiver, successor or legal representative) shall amend or cancel the Certificate and liquidate the Partnership's assets and apply and distribute the proceeds thereof in accordance with Section 5.06 hereof. Notwithstanding the foregoing, [the liquidating General Partner] may either (i) defer liquidation of, or withhold from distribution for a reasonable time, any assets of the Partnership (including those necessary to satisfy the Partnership's debts and obligations), or (ii) distribute the assets to the Partners in kind.

2.05 FILING OF CERTIFICATE AND PERFECTION OF LIMITED PARTNERSHIP. The General Partner shall execute, acknowledge, record and file at the expense of the Partnership the Certificate and any and all amendments thereto and all requisite fictitious name statements and notices in such places and jurisdictions as may be necessary to cause the Partnership to be treated as a limited partnership under, and otherwise to comply with, the laws of each state or other jurisdiction in which the Partnership conducts business.

2.06 CERTIFICATES DESCRIBING PARTNERSHIP UNITS. At the request of a Limited Partner, the General Partner, at its option, may issue a certificate summarizing the terms of such Limited Partner's interest in the Partnership, including the number of Partnership Units owned and the Percentage Interest represented by such Partnership Units as of the date of such certificate. Any such certificate (i) shall be in form and substance as approved by the General Partner, (ii) shall not be negotiable and (iii) shall bear a legend to the following effect:

> This certificate is not negotiable. The Partnership Units represented by this certificate are governed by and transferable only in accordance with the provisions of the Agreement of Limited Partnership of MPT Operating Partnership, L.P., as amended from time to time.

ARTICLE III

BUSINESS OF THE PARTNERSHIP

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act, provided, however, that such business shall be limited to and conducted in such a manner as to permit the Company at all times to qualify as a REIT, unless the Company otherwise ceases to qualify as a REIT, (ii) to enter into any partnership, joint venture or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged in any of the foregoing and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, and without limiting the Company's right in its sole and absolute discretion to cease qualifying as a REIT, the Partners acknowledge that the Company's current status as a REIT and the avoidance of income and excise taxes on the Company inures to the benefit of all the Partners and not solely to the Company. Notwithstanding the foregoing, the Limited Partners agree that the Company may terminate its status as a REIT under the Code at any time. The General Partner

shall also be empowered to do any and all acts and things necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" taxable as a corporation for purposes of Section 7704 of the Code.

ARTICLE IV

CAPITAL CONTRIBUTIONS AND ACCOUNTS

4.01 CAPITAL CONTRIBUTIONS. The General Partner and the Limited Partners have made capital contributions to the Partnership in exchange for the Partnership Interests set forth opposite their names on Exhibit A, as amended from time to time.

4.02 ADDITIONAL CAPITAL CONTRIBUTIONS AND ISSUANCES OF ADDITIONAL PARTNERSHIP INTERESTS. Except as provided in this Section 4.02 or in Section 4.03, the Partners shall have no right or obligation to make any additional Capital Contributions or loans to the Partnership. The General Partner and/or the Company may contribute additional capital to the Partnership, from time to time, and receive additional Partnership Interests in respect thereof, in the manner contemplated in this Section 4.02.

(a) Issuances of Additional Partnership Interests.

(i) General. The General Partner is hereby authorized to cause the Partnership to issue such additional Partnership Interests in the form of Partnership Units for any Partnership purpose at any time or from time to time to the Partners (including the General Partner and the Company) or to other Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partners. The General Partner's determination that consideration is adequate shall be conclusive insofar as the adequacy of consideration relates to whether the Partnership Interests are validly issued and fully paid. Any additional Partnership Interests issued thereby may be issued in one or more classes, or one or more series of any of such classes, with such designations,

preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partnership Interests, all as shall be determined by the General Partner in its sole and absolute discretion and without the approval of any Limited Partner, subject to Delaware law, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions; and (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; provided, however, that no additional Partnership Interests shall be issued to the General Partner or the Company (or any direct or indirect wholly-owned Subsidiary of the General Partner or the Company) unless:

(1) (A) the additional Partnership Interests are issued in connection with an issuance of REIT Shares of the Company or other interests in the Company, which shares or interests have designations, preferences and other rights, all such that the economic interests are substantially similar to the designations, preferences and other rights of the additional Partnership Interests issued to the General Partner or the Company (or any direct or indirect wholly-owned Subsidiary of the General Partner or the Company) by the Partnership in accordance with this Section 4.02 and (B) the General Partner or the Company (or any direct or indirect wholly-owned Subsidiary of the General Partner or the Company) shall make a Capital Contribution to the Partnership in an amount equal to the cash consideration received by the General Partner or the Company from the issuance of such shares of stock of or other interests in the General Partner or the Company;

(2) the additional Partnership Interests are issued in exchange for property owned by the General Partner or the Company (or any direct or indirect wholly-owned Subsidiary of the General Partner or the Company) with a fair market value, as determined by the General Partner, in good faith, equal to the value of the Partnership Interests; or

(3) the additional Partnership Interests are issued to all Partners in proportion to their respective Percentage Interests.

Without limiting the foregoing, the General Partner is expressly authorized (other than in the case of an issuance under clause 2 above) to cause the Partnership to issue Partnership Units for less than fair market value, so long as the General Partner concludes in good faith that such issuance is in the best interests of the General Partner and the Partnership.

(ii) Upon Issuance of Additional Securities. The Company shall not issue any additional REIT Shares (other than REIT Shares issued in connection with an exchange pursuant to Section 8.04 hereof) or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase REIT Shares (collectively, "Additional Securities") other than to all holders of REIT Shares, unless (A) the General Partner shall cause the Partnership to issue to the Company or the General Partner Partnership Interests or rights, options, warrants or convertible or

exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially similar to those of the Additional Securities, and (B) the Company contributes the proceeds from the issuance of such Additional Securities and from any exercise of rights contained in such Additional Securities to the Partnership; provided, however, that the Company is allowed to issue Additional Securities in connection with an acquisition of a property to be held directly by the Company, but if and only if, such direct acquisition and issuance of Additional Securities have been approved and determined to be in the best interests of the Company and the Partnership by a majority of the Board of Directors. Without limiting the foregoing, the Company is expressly authorized to issue Additional Securities for less than fair market value, and to cause the Partnership to issue to the Company or the General Partner corresponding Partnership Interests, so long as (x) the General Partner concludes in good faith that such issuance is in the best interests of the General Partner and the Partnership and (y) the Company contributes all proceeds from such issuance to the Partnership, including without limitation, the issuance of REIT Shares and corresponding Partnership Units pursuant to a share purchase plan providing for purchases of REIT Shares at a discount from fair market value or employee stock options that have an exercise price that is less than the fair market value of the REIT Shares, either at the time of issuance or at the time of exercise, or restricted or other stock awards. For example, in the event the Company issues REIT Shares for a cash purchase price and the Company contributes all of the proceeds of such issuance to the Partnership as required hereunder, the Company shall be issued a number of additional Partnership Units equal to the product of (A) the number of such REIT Shares issued by the Company, the proceeds of which were so contributed, multiplied by (B) a fraction, the numerator of which is 100%, and the denominator of which is the Conversion Factor in effect on the date of such contribution.

(b) Certain Contributions of Proceeds of Issuance of REIT Shares. In connection with any and all issuances of REIT Shares, the Company or the General Partner shall make Capital Contributions to the Partnership of the proceeds therefrom, provided that if the proceeds actually received and contributed by the Company are less than the gross proceeds of such issuance as a result of any underwriter's discount (or other expenses paid or incurred in connection with such issuance, which shall be REIT Expenses hereunder), then the Company or the General Partner shall make a Capital Contribution of such net proceeds to the Partnership but shall receive additional Partnership Units with

a value equal to the aggregate amount of the gross proceeds of such issuance pursuant to Section 4.02(a) hereof. Upon any such Capital Contribution by the Company, the Company's or the General Partner's Capital Account shall be increased pursuant to Section 4.04 hereof by the amount of the gross proceeds of the issuance.

(c) If the Company shall repurchase shares of any class of the Company's capital stock, all costs incurred in connection with such repurchase shall be reimbursed to the Company by the Partnership pursuant to Section 6.05 hereof and the General Partner shall cause the Partnership to redeem an equivalent number of Partnership Interests of the appropriate class held by the Company or the General Partner (which, in the case of Common Shares, shall be a number equal to the quotient of the number of such Common Shares divided by the Conversion Factor) in the manner provided in Section 6.10.

4.03 ADDITIONAL FUNDING. If the General Partner determines that it is in the best interests of the Partnership to provide for additional Partnership funds ("Additional Funds") for any Partnership purpose, the General Partner may (i) cause the Partnership to obtain such funds from outside borrowings, or (ii) elect to have the General Partner, the Company or any of their Affiliates provide such Additional Funds to the Partnership through loans or otherwise. Subject to the provisions of Section 6.05, no person shall have any preemptive, preferential or similar right or rights to subscribe for or acquire any Partnership Interests except as set forth in this Article.

4.04 CAPITAL ACCOUNTS. A separate capital account (a "Capital Account") shall be established and maintained for each Partner in accordance with Regulations Section 1.704-1(b)(2)(iv). If (i) a new or existing Partner acquires an additional Partnership Interest in exchange for more than a de minimis Capital Contribution or for services, (ii) the Partnership distributes to a Partner more than a de minimis amount of Partnership property as consideration for a Partnership Interest or (iii) the Partnership is liquidated within the meaning of Regulation Section 1.704-1(b)(2)(ii)(g), the General Partner shall revalue the property of the Partnership to its fair market value (as determined by the General Partner, in its sole and absolute discretion, and taking into account Section 7701(g) of the Code) in accordance with Regulations Section 1.704-1(b)(2)(iv)(f). When the Partnership's property is revalued by the General Partner, the Capital Accounts of the Partners shall be adjusted in accordance with Regulations Sections 1.704-1(b)(2)(iv)(f) and (g), which generally require such Capital Accounts to 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 pursuant to Section 5.01 if there were a taxable disposition of such property for its fair market value (as determined by the General Partner, in its sole and absolute discretion, and taking into account Section 7701(g) of the Code) on the date of the revaluation.

4.05 PERCENTAGE INTERESTS. If the number of outstanding Partnership Units increases or decreases during a taxable year, each Partner's Percentage Interest shall be adjusted by the General Partner effective as of the effective date of each such increase or decrease to a percentage equal to the number of Partnership Units held by such Partner divided by the aggregate number of Partnership Units outstanding after giving effect to such increase or decrease. If the Partners' Percentage Interests are adjusted pursuant to this Section 4.05, the Profits and Losses for the taxable year in which the adjustment occurs shall be allocated between the part of the year ending on the day when the Partnership's property is revalued by the General Partner and the part of the year beginning on the following day either (i) as if the taxable year had ended on the date of the adjustment or (ii) based on the number of days in each part. The General Partner, in its sole and absolute discretion, shall determine which method shall be used to allocate Profits and Losses for the taxable year in which the adjustment occurs. The allocation of Profits and Losses for the earlier part of the year shall be based on the Percentage Interests before adjustment, and the allocation of Profits and Losses for the later part shall be based on the adjusted Percentage Interests.

4.06 NO INTEREST ON CONTRIBUTIONS. No Partner shall be entitled to interest on its Capital Contribution.

4.07 RETURN OF CAPITAL CONTRIBUTIONS. No Partner shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distribution from the Partnership, except as specifically provided in this Agreement. Except as otherwise provided herein, there shall be no obligation to return to any Partner or withdrawn Partner any part of such Partner's Capital Contribution for so long as the Partnership continues in existence.

4.08 NO THIRD PARTY BENEFICIARY. No creditor or other third party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans or to pursue any other right or remedy hereunder or at law or in equity, it being understood and agreed that the provisions of this Agreement shall be solely for the benefit of, and may be enforced solely by, the parties hereto and their respective successors and assigns. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or of any of the Partners. In addition, it is the intent of the parties hereto that no distribution to any Limited Partner shall be deemed a return of money or other property in violation of the Act. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Limited Partner is obligated to return such money or property, such obligation shall be the obligation of such Limited Partner and not of the General Partner. Without limiting the generality of the foregoing, a deficit Capital Account of a Partner shall not be deemed to be a liability of such Partner nor an asset or property of the Partnership.

ARTICLE V

PROFITS AND LOSSES; DISTRIBUTIONS

5.01 ALLOCATION OF PROFIT AND LOSS.

(a) Profit. Profit of the Partnership for each taxable year of the Partnership shall be allocated to the Partners in accordance with their respective Percentage Interests.

(b) Loss. Loss of the Partnership for each taxable year of the Partnership shall be allocated to the Partners in accordance with their respective Percentage Interests.

(c) Minimum Gain Chargeback. Notwithstanding any provision to the contrary, (i) any expense of the Partnership that is a "nonrecourse deduction" within the meaning of Regulations Section 1.704-2(b)(1) shall be allocated in accordance with the Partners' respective Percentage Interests, (ii) any expense of the Partnership that is a "partner nonrecourse deduction" within the meaning of Regulations Section 1.704-2(i)(2) shall be allocated to the Partner that bears the "economic risk of loss" of such deduction in accordance with Regulations Section 1.704-2(i)(1), (iii) if there is a net decrease in Partnership Minimum Gain within the meaning of Regulations Section 1.704-2(f)(1) for any Partnership taxable year, then, subject to the exceptions set forth in Regulations Section 1.704-2(f)(2),(3), (4) and (5), items of gain and income shall be allocated among the Partners in accordance with Regulations Section 1.704-2(f) and the ordering rules contained in Regulations Section 1.704-2(j), and (iv) if there is a net

decrease in Partner Nonrecourse Debt Minimum Gain within the meaning of Regulations Section 1.704-2(i)(4) for any Partnership taxable year, then, subject to the exceptions set forth in Regulations Section 1.704(2)(g), items of gain and income shall be allocated among the Partners in accordance with Regulations Section 1.704-2(i)(4) and the ordering rules contained in Regulations Section 1.704-2(j). A Partner's "interest in partnership profits" for purposes of determining its share of the nonrecourse liabilities of the

Partnership within the meaning of Regulations Section 1.752-3(a)(3) shall be such Partner's Percentage Interest.

(d) Qualified Income Offset. If a Partner receives in any taxable year an adjustment, allocation or distribution described in subparagraphs (4), (5) or (6) of Regulations Section 1.704-1(b)(2)(ii)(d) that causes or increases a deficit balance in such Partner's Capital Account that exceeds the sum of such Partner's shares of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain, as determined in accordance with Regulations Sections 1.704-2(g) and 1.704-2(i), such Partner shall be allocated specially for such taxable year (and, if necessary, later taxable years) items of income and gain in an amount and manner sufficient to eliminate such deficit Capital Account balance as quickly as possible as provided in Regulations Section 1.704-1(b)(2)(ii)(d). After the occurrence of an allocation of income or gain to a Partner in accordance with this Section 5.01(d), to the extent permitted by Regulations Section 1.704-1(b), items of expense or loss shall be allocated to such Partner in an amount necessary to offset the income or gain previously allocated to such Partner under this Section 5.01(d).

(e) Capital Account Deficits. Loss shall not be allocated to a Limited Partner to the extent that such allocation would cause a deficit in such Partner's Capital Account (after reduction to reflect the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6)) to exceed the sum of such Partner's shares of Partnership Minimum Gain and Partner Nonrecourse Debt Minimum Gain. Any Loss in excess of that limitation shall be allocated to the General Partner. After the occurrence of an allocation of Loss to the General Partner in accordance with this Section 5.01(e), to the extent permitted by Regulations Section 1.704-1(b), Profit shall be allocated to such Partner in an amount necessary to offset the Loss previously allocated to each Partner under this Section 5.01(e).

(f) Allocations Between Transferor and Transferee. If a Partner transfers any part or all of its Partnership Interest, the distributive shares of the various items of Profit and Loss allocable among the Partners during such fiscal year of the Partnership shall be allocated between the transferor and the transferee Partner either (i) as if the Partnership's fiscal year had ended on the date of the transfer, or (ii) based on the number of days of such fiscal year that each was a Partner without regard to the results of Partnership activities in the respective portions of such fiscal year in which the transferor and the transferee were Partners. The General Partner, in its sole and absolute discretion, shall determine which method shall be used to allocate the distributive shares of the various items of Profit and Loss between the transferor and the transferee Partner.

(g) Definition of Profit and Loss. "Profit" and "Loss" and any items of income, gain, expense or loss referred to in this Agreement shall be determined in accordance with federal income tax accounting principles, as modified by Regulations Section 1.704-1(b)(2)(iv), except that Profit and Loss shall not include items of income, gain and expense that are specially allocated pursuant to Sections 5.01(c), 5.01(d) or 5.01(e). All allocations of

income, Profit, gain, Loss and expense (and all items contained therein) for federal income tax purposes shall be identical to all allocations of such items set forth in this Section 5.01, except as otherwise required by Section 704(c) of the Code and Regulations Section 1.704-1(b)(4). The Partnership shall use the traditional method for allocating items of income, gain and expense as required by Section 704(c) of the Code with respect to the properties acquired by the Partnership in connection with the private placement of the Company's securities. With respect to other properties acquired by the Partnership, the General Partner shall have the authority to elect the method to be used by the Partnership for allocating items of income, gain and expense as required by Section 704(c) of the Code with respect to such properties, and such election shall be binding on all Partners.

5.02 DISTRIBUTION OF CASH.

(a) Subject to Section 5.02(c) hereof, the Partnership shall distribute cash at such times and in such amounts as are determined by the General Partner in its sole and absolute discretion, to the Partners who are Partners on the Partnership Record Date with respect to such quarter (or other

distribution period) in accordance with their respective Percentage Interests on the Partnership Record Date.

(b) If a new or existing Partner acquires an additional Partnership Interest in exchange for a Capital Contribution on any date other than a Partnership Record Date, the cash distribution attributable to such additional Partnership Interest relating to the Partnership Record Date next following the issuance of such additional Partnership Interest shall be reduced in the proportion to (i) the number of days that such additional Partnership Interest is held by such Partner bears to (ii) the number of days between such Partnership Record Date and the immediately preceding Partnership Record Date.

(c) Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to a Partner or assignee (including by reason of Section 1446 of the Code), either (i) if the actual amount to be distributed to the Partner (the "Distributable Amount") equals or exceeds the amount required to be withheld by the Partnership (the "Withheld Amount"), the entire Distributable Amount shall be treated as a distribution of cash to such Partner, or (ii) if the Distributable Amount is less than the Withheld Amount, the excess of the Withheld Amount over the Distributable Amount shall be treated as a loan (a "Partnership Loan") from the Partnership to the Partner on the day the Partnership pays over such amount to a taxing authority. A Partnership Loan shall be repaid upon the demand of the Partnership or, alternatively, through withholding by the Partnership with respect to subsequent distributions to the applicable Partner or assignee. In the event that a Limited Partner (a "Defaulting Limited Partner") fails to pay any amount owed to the Partnership with respect to the Partnership Loan within 15 days after demand for payment thereof is made by the Partnership on the Limited Partner, the General Partner, in its sole and absolute discretion, may elect to make the payment to the Partnership on behalf of such Defaulting Limited Partner. In such event, on the date of payment, the General

Partner shall be deemed to have extended a loan (a "General Partner Loan") to the Defaulting Limited Partner in the amount of the payment made by the General Partner and shall succeed to all rights and remedies of the Partnership against the Defaulting Limited Partner as to that amount. Without limitation, the General Partner shall have the right to receive any distributions that otherwise would be made by the Partnership to the Defaulting Limited Partner until such time as the General Partner Loan has been paid in full, and any such distributions so received by the General Partner shall be treated as having been received by the Defaulting Limited Partner and immediately paid to the General Partner.

Any amounts treated as a Partnership Loan or a General Partner Loan pursuant to this Section 5.02(c) shall bear interest at the lesser of (i) 300 basis points above the base rate on corporate loans at large United States money center commercial banks, as published from time to time in The Wall Street Journal, or (ii) the maximum lawful rate of interest on such obligation, such interest to accrue from the date the Partnership or the General Partner, as applicable, is deemed to extend the loan until such loan is repaid in full.

(d) In no event may a Partner receive a distribution of cash with respect to a Partnership Unit if such Partner is entitled to receive a cash dividend as the holder of record of a REIT Share for which all or part of such Partnership Unit has been or will be redeemed.

5.03 REIT DISTRIBUTION REQUIREMENTS. The General Partner shall use its reasonable efforts to cause the Partnership to distribute amounts sufficient to enable the Company to pay stockholder dividends that will allow the Company to (i) meet its distribution requirement for qualification as a REIT as set forth in Section 857 of the Code and (ii) avoid any federal income or excise tax liability imposed by the Code, other than to the extent the Company elects to retain and pay income tax on its net capital gain.

5.04 NO RIGHT TO DISTRIBUTIONS IN KIND. No Partner shall be entitled to demand property other than cash in connection with any distributions by the Partnership.

5.05 LIMITATIONS ON RETURN OF CAPITAL CONTRIBUTIONS. Notwithstanding any of the provisions of this Article V, no Partner shall have the right to receive, and the General Partner shall not have the right to make, a distribution that includes a return of all or part of a Partner's Capital Contributions, unless after giving effect to the return of a Capital Contribution, the sum of all Partnership liabilities, other than the liabilities to a Partner for the return of his Capital Contribution, does not exceed the fair market value of the Partnership's assets.

5.06 DISTRIBUTIONS UPON LIQUIDATION.

(a) Upon liquidation of the Partnership, after payment of, or adequate provision for, debts and obligations of the Partnership, including any Partner loans, any remaining assets of the Partnership shall be distributed to all Partners with positive Capital Accounts in accordance with their respective positive Capital Account balances.

(b) For purposes of Section 5.06(a), the Capital Account of each Partner shall be determined after all adjustments made in accordance with Sections 5.01 and 5.02 resulting from Partnership operations and from all sales and dispositions of all or any part of the Partnership's assets.

(c) Any distributions pursuant to this Section 5.06 shall be made by the end of the Partnership's taxable year in which the liquidation occurs (or, if later, within 90 days after the date of the liquidation). To the extent deemed advisable by the General Partner, appropriate arrangements (including the use of a liquidating trust) may be made to assure that adequate funds are available to pay any contingent debts or obligations.

5.07 SUBSTANTIAL ECONOMIC EFFECT. It is the intent of the Partners that the allocations of Profit and Loss under the Agreement have substantial economic effect (or be consistent with the Partners' interests in the Partnership in the case of the allocation of losses attributable to nonrecourse debt) within the meaning of Section 704(b) of the Code as interpreted by the Regulations promulgated pursuant thereto. Article V and other relevant provisions of this Agreement shall be interpreted in a manner consistent with such intent.

ARTICLE VI

RIGHTS, OBLIGATIONS AND POWERS OF THE GENERAL PARTNER

6.01 MANAGEMENT OF THE PARTNERSHIP.

(a) Except as otherwise expressly provided in this Agreement, the General Partner shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes herein stated, and shall make all decisions affecting the business and assets of the Partnership. Subject to the restrictions specifically contained in this Agreement, the powers of the General Partner shall include, without limitation, the authority to take the following actions on behalf of the Partnership:

(i) to acquire, purchase, own, operate, lease and dispose of any real property and any other property or assets including, but not limited to, notes and mortgages that the General Partner determines are necessary or appropriate in the business of the Partnership;

(ii) to construct buildings and make other improvements on the properties owned or leased by the Partnership;

(iii) to authorize, issue, sell, redeem or otherwise purchase any Partnership Interests or any securities (including secured and unsecured debt obligations of the Partnership, debt obligations of the Partnership convertible into any class or series of Partnership Interests, or options, rights, warrants or appreciation rights relating to any Partnership Interests) of the Partnership;

(iv) to borrow or lend money for the Partnership, issue or receive evidences of indebtedness in connection therewith, refinance, increase the amount of, modify, amend or change the terms of, or extend the time for the payment of, any such indebtedness, and secure indebtedness by mortgage, deed of trust, pledge or other lien on the Partnership's assets;

(v) to pay, either directly or by reimbursement, for all operating costs and general administrative expenses of the Partnership to third parties or to the General Partner or its Affiliates;

(vi) to guarantee or become a co-maker of indebtedness of any Subsidiary of the Company or the Partnership, refinance, increase the amount of, modify, amend or change the terms of, or extend the time for the payment of, any such guarantee or indebtedness, and secure such guarantee or indebtedness by mortgage, deed of trust, pledge or other lien on the Partnership's assets;

(vii) to use assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with this Agreement, including, without limitation, payment, either directly or by reimbursement, of all operating costs and general and administrative expenses of the General Partner, the Company, the Partnership or any Subsidiary of any of them as set forth in this Agreement;

(viii) to lease all or any portion of any of the Partnership's assets, whether or not the terms of such leases extend beyond the termination date of the Partnership and whether or not any portion of the Partnership's assets so leased are to be occupied by the lessee, or, in turn, subleased in whole or in part to others, for such consideration and on such terms as the General Partner may determine;

(ix) to prosecute, defend, arbitrate or compromise any and all claims or liabilities in favor of or against the Partnership, on such terms and in such manner as the General Partner may reasonably determine, and similarly to prosecute, settle or defend litigation with respect to the Partners, the Partnership or the Partnership's assets;

(x) to file applications, communicate and otherwise deal with any and all governmental agencies having jurisdiction over, or in any way affecting, the Partnership's assets or any other aspect of the Partnership business;

(xi) to make or revoke any election permitted or required of the Partnership by any taxing authority;

(xii) to maintain such insurance coverage for public liability, fire and casualty, and any and all other insurance for the protection of the Partnership, for the conservation of Partnership assets, or for any other purpose convenient or beneficial to the Partnership, in such amounts and such types, as it shall determine from time to time;

(xiii) to determine whether or not to apply any insurance proceeds for any property to the restoration of such property or to distribute the same;

(xiv) to establish one or more divisions of the Partnership, to hire and dismiss employees of the Partnership or any division of the Partnership, and to retain legal counsel, accountants, consultants, real estate brokers and such other persons as the General Partner may deem necessary or appropriate in connection with the Partnership business and to pay therefor such reasonable remuneration as the General Partner may deem reasonable and proper;

(xv) to retain other services of any kind or nature in

connection with the Partnership business, and to pay therefor such remuneration as the General Partner may deem reasonable and proper;

(xvi) to negotiate and conclude agreements on behalf of the Partnership with respect to any of the rights, powers and authority conferred upon the General Partner;

(xvii) to maintain accurate accounting records and to file promptly all federal, state and local income tax returns on behalf of the Partnership;

(xviii) to distribute Partnership cash or other Partnership assets in accordance with this Agreement;

(xix) to form or acquire an interest in, and contribute property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, its Subsidiaries and any other Person in which it has an equity interest from time to time);

(xx) to establish Partnership reserves for working capital, capital expenditures, contingent liabilities or any other valid Partnership purpose;

(xxi) to merge, consolidate or combine the Partnership with or into another person;

(xxii) to do any and all acts and things necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" taxable as a corporation under Section 7704 of the Code; and

(xxiii) to take such other action, execute, acknowledge, swear to or deliver such other documents and instruments, and perform any and all other acts that the General Partner deems necessary or appropriate for the formation, continuation and conduct of the business and affairs of the Partnership (including, without limitation, all actions consistent with allowing the Company at all times to qualify as a REIT unless the Company voluntarily terminates its REIT status) and to possess and enjoy all of the rights and powers of a general partner as provided by the Act.

Except as otherwise provided herein, each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement, the Act or any applicable law. The execution, delivery and performance by the General Partner of the above mentioned agreements and transactions shall not constitute a breach of any duty under this Agreement or implied in law or equity.

(b) Except as otherwise provided herein, to the extent the duties of the General Partner require expenditures of funds to be paid to third parties, the General Partner shall

not have any obligations hereunder except to the extent that Partnership funds are reasonably available to it for the performance of such duties, and nothing herein contained shall be deemed to authorize or require the General Partner, in its capacity as such, to expend its individual funds for payment to third parties or to undertake any individual liability or obligation on behalf of the Partnership, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this section, except to the extent otherwise expressly agreed to by such Partner and the Partnership.

6.02 DELEGATION OF AUTHORITY. The General Partner may delegate any or all of its powers, rights and obligations hereunder to any Person that the

General Partner may from time to time determine, including, without limitation, the officers and employees of the Partnership, the General Partner, the Company and any Subsidiary of the Company and may further appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of the General Partner, perform any acts or services for the Partnership as the General Partner may approve. Without limiting the generality of the foregoing, the following officers of the Partnership, who, subject to the general supervision and control of the General Partner, may exercise the rights and powers of the General Partner to manage the day-to-day operations of the Partnership: Chief Executive Officer, President, one or more Vice Presidents, Chief Financial Officer, Chief Operations Officer, Secretary and Treasurer.

6.03 INDEMNIFICATION AND EXCULPATION OF INDEMNITEES.

(a) The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the Indemnitee actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 6.03(a). The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 6.03(a). Any indemnification pursuant to this Section 6.03 shall be made only out of the assets of the Partnership.

(b) The Partnership shall reimburse an Indemnitee for reasonable expenses incurred by an Indemnitee who is a party to a proceeding in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 6.03 has been met, and (ii) a written undertaking by

or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

(c) The indemnification provided by this Section 6.03 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity.

(d) The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 6.03, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of this Section 6.03; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed

to be for a purpose that is not opposed to the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.03 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.03 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) Any amendment, modification or repeal of this Section 6.03 or any provision hereof shall be prospective only and shall not in any way affect the indemnification of an Indemnitee by the Partnership under this Section 6.03 as in effect immediately prior to such amendment, modification or repeal with respect to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when claims relating to such matters may arise or be asserted.

(j) If and to the extent any reimbursements to the General Partner pursuant to this section constitute gross income of the General Partner (as opposed to the repayment of advances made by the General Partner on behalf of the Partnership) such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be

treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

6.04 LIABILITY OF THE GENERAL PARTNER.

(a) Notwithstanding anything to the contrary set forth in this Agreement, none of the General Partner, the Company, nor any of their directors, officers, agents or employees shall be liable for monetary damages to the Partnership or any Partners for losses sustained or liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission if the General Partner acted in good faith. The General Partner shall not be in breach of any duty that the General Partner may owe to the Limited Partners or the Partnership or any other Persons under this Agreement or of any duty stated or implied by law or equity provided the General Partner, acting in good faith, abides by the terms of this Agreement.

(b) The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership and the Company's stockholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or the tax consequences to some, but not all, of the Limited Partners) in deciding whether to cause the Partnership to take (or decline to take) any actions. In the event of a conflict between the interests of the stockholders of the Company on one hand and the Limited Partners on the other, the General Partner shall endeavor in good faith to resolve the conflict in a manner not adverse to either the stockholders of the Company or the Limited Partners; provided, however, that for so long as the Company owns a controlling interest in the Partnership, any such conflict that the General Partner, in its sole and absolute discretion, determines cannot be resolved in a manner not adverse to either the stockholders of the Company or the Limited Partners shall be resolved in favor of the stockholders of the Company. The General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions.

(c) Subject to its obligations and duties as General Partner set forth in Section 6.01 hereof, the General Partner may exercise any of the powers granted to it under this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General

Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith.

(d) Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the Company to continue to qualify as a REIT or (ii) to prevent the Company from incurring any taxes under Section 857, Section 4981, or any other provision of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

(e) Any amendment, modification or repeal of this Section 6.04 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the

General Partner's or any of its officer's, director's, agent's or employee's liability to the Partnership and the Limited Partners under this Section 6.04 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when claims relating to such matters may arise or be asserted.

6.05 PARTNERSHIP OBLIGATIONS.

(a) Except as provided in this Section 6.05 and elsewhere in this Agreement (including the provisions of Articles V and VI regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

(b) All Administrative Expenses shall be obligations of the Partnership, and each of the General Partner and the Company shall be entitled to reimbursement by the Partnership for any expenditure (including Administrative Expenses) incurred by it on behalf of the Partnership that shall be made other than out of the funds of the Partnership.

6.06 OUTSIDE ACTIVITIES. Subject to Section 6.08 hereof, the Articles of Incorporation and any agreements entered into by the General Partner, the Company or any of their respective Affiliates with the Partnership, any Subsidiary or any officer, director, employee, agent, trustee, Affiliate or stockholder of the Company, the General Partner and the Company shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities substantially similar or identical to those of the Partnership. None of the Partnership, the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any such business ventures, interests or activities, and the General Partner and the Company shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures, interests and activities to the Partnership or any Limited Partner, even if such opportunity is of a character that, if presented to the Partnership or any Limited Partner, could be taken by such Person.

6.07 EMPLOYMENT OR RETENTION OF AFFILIATES.

(a) Any Affiliate of the General Partner may be employed or retained by the Partnership and may otherwise deal with the Partnership (whether as a buyer, lessor, lessee, manager, furnisher of goods or services, broker, agent, lender or otherwise) and may receive from the Partnership any compensation, price or other payment therefor that the General Partner determines to be fair and reasonable.

(b) The Partnership may lend or contribute to its Subsidiaries or other Persons in which it has an equity investment, and such Persons may borrow funds from the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Subsidiary or any other Person.

(c) The Partnership may transfer assets to joint ventures, other partnerships, corporations or other business entities in which it is or thereby becomes a participant upon such

terms and subject to such conditions as the General Partner deems are consistent with this Agreement and applicable law.

6.08 GENERAL PARTNER ACTIVITIES. The General Partner and the Company agree that, generally, all business activities of the General Partner and the Company, including activities pertaining to the acquisition, development or ownership of a healthcare property or other property, shall be conducted through the Partnership or one or more Subsidiaries of the Partnership; provided, however, that the General Partner or the Company may make a direct acquisition or undertake a business activity directly if such acquisition is made in connection with the issuance of Additional Securities and direct acquisition and issuance or the business activity has been approved by a majority of the Board Directors.

6.09 TITLE TO PARTNERSHIP ASSETS. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

6.10 REDEMPTION OF COMPANY PARTNERSHIP UNITS. In the event the Company redeems or repurchases any REIT Shares, then the General Partner shall cause the Partnership to purchase from the Company a number of Partnership Units as determined based on the application of the Conversion Factor on substantially the same terms that the Company redeemed such REIT Shares.

ARTICLE VII

CHANGES IN THE COMPANY OR THE GENERAL PARTNER

7.01 TRANSFER OF THE GENERAL PARTNER'S PARTNERSHIP INTEREST.

(a) Except as provided in Section 4.02 or Section 6.10 hereof, neither the General Partner nor the Company shall transfer all or any portion of its Partnership Interest and the General Partner shall not withdraw as General Partner except as provided in or in connection with a transaction contemplated by Section 7.01(c), (d) or (e).

(b) The General Partner agrees that its Percentage Interest will at all times be in the aggregate at least 1%.

(c) Except as otherwise provided in Section 7.01(d) hereof, the Company shall not engage in any merger, consolidation or other combination with or into another Person

or sale of all or substantially all of its assets (other than in connection with a change in the Company's state of incorporation or organizational form), in each case which results in a change of control of the Company (a "Transaction"),

unless at least one of the following conditions is met:

(i) the consent of Limited Partners (other than the General Partner, the Company or any Subsidiary of either of them) holding more than 50% of the Percentage Interests of the Limited Partners (other than those held by the General Partner or any Subsidiary) is obtained; or

(ii) as a result of such Transaction all Limited Partners will receive, or have the right to elect to receive, for each Partnership Unit an amount of cash, securities or other property equal in value to the product of the Conversion Factor and the greatest amount of cash, securities or other property paid in the Transaction to a holder of one REIT Share in consideration of one REIT Share, provided that if, in connection with the Transaction, a purchase, tender or exchange offer ("Offer") shall have been made to and accepted by the holders of more than 50% of the outstanding REIT Shares, 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 (A) exercised its Redemption Right and (B) sold, tendered or exchanged pursuant to the Offer the REIT Shares received upon exercise of the Redemption Right immediately prior to the expiration of the Offer; or

(iii) the General Partner or the Company is the surviving entity in the Transaction and either (A) the holders of REIT Shares do not receive cash, securities or other property in the Transaction or (B) all Limited Partners (other than the General Partner or any Subsidiary) receive for each Partnership Unit an amount of cash, securities or other property having a value (expressed as an amount per REIT Share) that is no less than the product of the Conversion Factor and the greatest amount of cash, securities or other property (expressed as an amount per REIT Share) received in the Transaction by any holder of REIT Shares.

(d) Notwithstanding Section 7.01(c), the General Partner or the Company 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 (the "Survivor"), other than Partnership Units held by the General Partner or the Company, 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 obligations of the General Partner and the Company hereunder. Upon such contribution and assumption, the Survivor shall have the right and duty to amend this Agreement as set forth in this Section 7.01(d). The Survivor shall in good faith arrive at a new method for the calculation of the Cash Amount, the REIT Shares Amount and Conversion Factor for a Partnership Unit after any such merger or consolidation so as to approximate the existing method for such calculation as closely as reasonably possible. Such calculation shall take into account, among other things, the kind and amount of securities, cash and other property that was receivable upon such merger or consolidation by a holder of REIT Shares or options, warrants or other rights

relating thereto, and which a holder of Partnership Units could have acquired had such Partnership Units been exchanged immediately prior to such merger or consolidation. Such amendment to this Agreement shall provide for adjustment to such method of calculation, which shall be as nearly equivalent as may be practicable to the adjustments provided for with respect to the Conversion Factor. The Survivor also shall in good faith modify the definition of REIT Shares and make such amendments to Section 8.04 hereof so as to approximate the existing rights and obligations set forth in Section 8.04 as closely as reasonably possible. The above provisions of this Section 7.01(d) shall similarly apply to successive mergers or consolidations permitted hereunder.

(e) Notwithstanding anything in this Article VII,

(i) the General Partner may transfer all or any portion of its General Partnership Interest to (A) the Company or (B) any direct or indirect Subsidiary of the Company and, following a transfer of all of its General Partnership Interest, may withdraw as General Partner; and

(ii) the General Partner or the Company may engage in a transaction required by law or by the rules of any national securities exchange on which the REIT Shares are listed.

7.02 ADMISSION OF A SUBSTITUTE OR ADDITIONAL GENERAL PARTNER. A Person shall be admitted as a substitute or additional General Partner of the Partnership only if the following terms and conditions are satisfied:

(a) the Person to be admitted as a substitute or additional General Partner shall have accepted and agreed to be bound by all the terms and provisions of this Agreement by executing a counterpart thereof and such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a General Partner, and a certificate evidencing the admission of such Person as a General Partner shall have been filed for recordation and all other actions required by Section 2.06 hereof in connection with such admission shall have been performed;

(b) if the Person to be admitted as a substitute or additional General Partner is a corporation or a partnership, it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of such Person's authority to become a General Partner and to be bound by the terms and provisions of this Agreement; and

(c) counsel for the Partnership shall have rendered an opinion (relying on such opinions from other counsel as may be necessary) that the admission of the Person to be admitted as a substitute or additional General Partner is in conformity with the Act, that none of the actions taken in connection with the admission of such Person as a substitute or additional General Partner will cause (i) the Partnership to be classified other than as a partnership for federal income tax purposes, or (ii) the loss of any Limited Partner's limited liability.

7.03 EFFECT OF BANKRUPTCY, WITHDRAWAL, DEATH OR DISSOLUTION OF A GENERAL PARTNER.

(a) Upon the occurrence of an Event of Bankruptcy as to a General Partner or the death, withdrawal, removal or dissolution of a General Partner (except that, if a General Partner is on the date of such occurrence a partnership, the withdrawal, death, dissolution, Event of Bankruptcy as to, or removal of a partner in, such partnership shall be deemed not to be a dissolution of such General Partner if the business of such General Partner is continued by the remaining partner or partners), the Partnership shall be dissolved and terminated unless the Partnership is continued pursuant to Section 7.03(b) hereof. The merger of a General Partner with or into any entity that is admitted as a substitute or successor General Partner pursuant to Section 7.02 hereof shall not be deemed to be the withdrawal, dissolution or removal of the General Partner.

(b) Following the occurrence of an Event of Bankruptcy as to a General Partner or the death, withdrawal, removal or dissolution of a General Partner (except that, if a General Partner is on the date of such occurrence a partnership, the withdrawal, death, dissolution, Event of Bankruptcy as to, or removal of a partner in, such partnership shall be deemed not to be a dissolution of such General Partner if the business of such General Partner is continued by the remaining partner or partners), the Limited Partners, within 90 days after such occurrence, may elect to continue the business of the Partnership for the balance of the term specified in Section 2.04 hereof by selecting, subject to Section 7.02 hereof and any other provisions of this Agreement, a substitute General Partner by consent of a majority in interest of the Limited Partners. If the Limited Partners elect to continue the business of the Partnership and admit a substitute General Partner, the relationship with the Partners and of any Person who has acquired an interest of a Partner in the Partnership shall be governed by this Agreement.

7.04 REMOVAL OF A GENERAL PARTNER.

(a) If on the date of an occurrence of an Event of Bankruptcy as to, or the dissolution of, a General Partner, such General Partner is a partnership, the withdrawal, death, dissolution, Event of Bankruptcy as to or removal of a partner in such partnership shall be deemed not to be a dissolution

of the General Partner if the business of such General Partner is continued by the remaining partner or partners. The Limited Partners may not remove the General Partner, with or without cause.

(b) If a General Partner has been removed pursuant to Section 7.03 and the Partnership is continued pursuant to Section 7.03 hereof, such General Partner shall promptly transfer and assign its General Partnership Interest in the Partnership to the substitute General Partner approved by a majority in interest of the Limited Partners in accordance with Section 7.03(b) hereof and otherwise admitted to the Partnership in accordance with Section 7.02 hereof. At the time of assignment, the removed General Partner shall be entitled to receive from the substitute General Partner the fair market value of the General Partnership Interest of such removed General Partner as reduced by any damages caused to the Partnership by such General Partner. Such fair market value shall be determined by an appraiser mutually agreed upon by the General Partner and a majority in interest of the Limited Partners (excluding the Company) within 10 days following the removal of the General Partner. In the event that the parties are

unable to agree upon an appraiser, the removed General Partner and a majority in interest of the Limited Partners (excluding the Company) each shall select an appraiser. Each such appraiser shall complete an appraisal of the fair market value of the removed General Partner's General Partnership Interest within 30 days of the General Partner's removal, and the fair market value of the removed General Partner's General Partnership Interest shall be the average of the two appraisals; provided, however, that if the higher appraisal exceeds the lower appraisal by more than 20% of the amount of the lower appraisal, the two appraisers, no later than 40 days after the removal of the General Partner, shall select a third appraiser who shall complete an appraisal of the fair market value of the removed General Partner's General Partnership Interest no later than 60 days after the removal of the General Partner. In such case, the fair market value of the removed General Partner's General Partnership Interest shall be the average of the two appraisals closest in value. The cost of all such appraisals shall be borne by the Partnership.

(c) The General Partnership Interest of a removed General Partner, during the time after removal until transfer under Section 7.04(b), shall be converted to that of a special Limited Partner; provided, however, such removed General Partner shall not have any rights to participate in the management and affairs of the Partnership, and shall not be entitled to any portion of the income, expense, profit, gain or loss allocations or cash distributions allocable or payable, as the case may be, to the Limited Partners. Instead, such removed General Partner shall receive and be entitled only to retain distributions or allocations of such items that it would have been entitled to receive in its capacity as General Partner, until the transfer is effective pursuant to Section 7.04(b).

(d) All Partners shall have given and hereby do give such consents, shall take such actions and shall execute such documents as shall be legally necessary and sufficient to effect all the foregoing provisions of this Section.

ARTICLE VIII

RIGHTS AND OBLIGATIONS OF THE LIMITED PARTNERS

8.01 MANAGEMENT OF THE PARTNERSHIP. The Limited Partners shall not participate in the management or control of Partnership business nor shall they transact any business for the Partnership, nor shall they have the power to sign for or bind the Partnership, such powers being vested solely and exclusively in the General Partner.

8.02 POWER OF ATTORNEY. Subject to Section 8.03, each Limited Partner hereby irrevocably appoints the General Partner its true and lawful attorney-in-fact, who may act for each Limited Partner and in its name, place and stead, and for its use and benefit, to sign, acknowledge, swear to, deliver, file or record, at the appropriate public offices, any and all documents, certificates and instruments as may be deemed necessary or desirable by the

General Partner to carry out fully the provisions of this Agreement and the Act in accordance with their terms, including amendments hereto, which power of attorney is coupled with an interest and shall survive the death, dissolution or legal incapacity of the Limited Partner, or the transfer by the Limited Partner of any part or all of its Partnership Interest.

8.03 LIMITATION ON LIABILITY OF LIMITED PARTNERS. No Limited Partner shall be liable for any debts, liabilities, contracts or obligations of the Partnership. A Limited Partner shall be liable to the Partnership only to make payments of its Capital Contribution, if any, as and when due hereunder. After its Capital Contribution is fully paid, no Limited Partner shall, except as otherwise required by the Act, be required to make any further Capital Contributions or other payments or lend any funds to the Partnership.

8.04 REDEMPTION RIGHT.

(a) Subject to Sections 8.04(b), 8.04(c), 8.04(d), 8.04(e) and 8.04(f) and the provisions of any agreements between the Partnership and one or more Limited Partners with respect to Partnership Units held by them, each Limited Partner, other than the Company, shall have the right (the "Redemption Right") to require the Partnership to redeem on a Specified Redemption Date all or a portion of the Partnership Units held by such Limited Partner at a redemption price equal to and in the form of the Redemption Amount to be paid by the Partnership, provided that such Partnership Units shall have been outstanding for at least one year, and subject to any restriction agreed to in writing between the Redeeming Limited Partner and the General Partner or the Partnership. The Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the Company) by the Limited Partner who is exercising the Redemption Right (the "Redeeming Limited Partner"); provided, further, that the Partnership shall, in its sole and absolute discretion, have the option to deliver either the Cash Amount or the REIT Shares Amount; provided, further, that the Partnership shall not be obligated to satisfy such Redemption Right if the Company elects to purchase the Partnership Units subject to the Notice of Redemption; and provided, further, that no Limited Partner may deliver more than two Notices of Redemption during each calendar year. Subject to the immediately succeeding sentence, a Limited Partner may not, without the consent of the General Partner, exercise the Redemption Right for less than 1,000 Partnership Units. If a Limited Partner holds less than 1,000 Partnership Units, such Limited Partner may, without the consent of the General Partner, exercise the Redemption Right for all of the Partnership Units held by such Partner. The Redeeming Limited Partner shall have no right, with respect to any Partnership Units so redeemed, to receive any distribution paid with respect to Partnership Units if the record date for such distribution is on or after the Specified Redemption Date.

(b) Notwithstanding the provisions of Section 8.04(a), a Limited Partner that exercises the Redemption Right shall be deemed to have offered to sell the Partnership Units described in the Notice of Redemption to the Company, and the Company may, in its sole and absolute discretion, elect to purchase directly and acquire such Partnership Units by paying to the Redeeming Limited Partner either the Cash Amount or the REIT Shares Amount, as elected by the Company (in its sole and absolute discretion), on the Specified Redemption Date, whereupon the Company shall acquire the Partnership Units offered for redemption by the Redeeming Limited Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units. If the Company shall elect to exercise its right to purchase Partnership Units under this Section 8.04(b) with respect to a Notice of Redemption, it shall so notify the Redeeming Limited Partner within five Business Days after the receipt by the Company of such Notice of Redemption.

In the event the Company shall exercise its right to purchase Partnership Units with respect to the exercise of a Redemption Right, the Partnership shall have no obligation to pay any amount to the Redeeming Limited Partner with respect to such Redeeming Limited Partner's exercise of such Redemption Right, and each of the Redeeming Limited Partner, the Partnership and the Company shall treat the transaction between the Company and the Redeeming Limited Partner for federal income tax purposes as a sale of the Redeeming

Limited Partner's Partnership Units to the Company. Each Redeeming Limited Partner agrees to execute such documents as the Company may reasonably require in connection with the issuance of REIT Shares upon exercise of the Redemption Right.

(c) Notwithstanding the provisions of Section 8.04(a) and 8.04(b), a Limited Partner shall not be entitled to exercise the Redemption Right if the delivery of REIT Shares to such Partner on the Specified Redemption Date by the Company pursuant to Section 8.04(b) (regardless of whether or not the Company would in fact exercise its rights under Section 8.04(b)) would (i) result in such Partner or any other person owning, directly or indirectly, REIT Shares in excess of the Ownership Limitation (as defined in the Articles of Incorporation) and calculated in accordance therewith, except as provided in the Articles of Incorporation, (ii) result in REIT Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of Section 856(h) of the Code, (iv) cause the Company to own, directly or constructively, 10% or more of the ownership interests in a tenant of the Company's, the Partnership's or a Subsidiary Partnership's real property, within the meaning of Section 856(d)(2)(B) of the Code, or (v) cause the acquisition of REIT Shares by such Partner to be "integrated" with any other distribution of REIT Shares for purposes of complying with the registration provisions of the Securities Act of 1933, as amended (the "Securities Act"). The General Partner, in its sole and absolute discretion, may waive the restriction on redemption set forth in this Section 8.04(c).

The consummation of any redemption in exchange for REIT Shares shall be subject to the expiration or termination of any waiting period under applicable law.

(d) Any Cash Amount to be paid to a Redeeming Limited Partner pursuant to this Section 8.04 shall be paid on the Specified Redemption Date; provided, however, that the General Partner may elect to cause the Specified Redemption Date to be delayed for up to an additional 90 days to the extent required for the Company to cause additional REIT Shares to be issued to provide financing to be used to make such payment of the Cash Amount. Notwithstanding the foregoing, the General Partner agrees to use its best efforts to cause the closing of the acquisition of redeemed Partnership Units hereunder to occur as quickly as reasonably possible.

(e) Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law that apply upon a Redeeming Limited Partner's exercise of the Redemption Right. If a Redeeming Limited Partner believes that it is exempt from such withholding upon the exercise of the Redemption Right, such Partner must furnish the General Partner with a FIRPTA Certificate in the form attached hereto as Exhibit C. If the Partnership,

the Company or the General Partner is required to withhold and pay over to any taxing authority any amount upon a Redeeming Limited Partner's exercise of the Redemption Right and if the Redemption Amount equals or exceeds the Withheld Amount, the Withheld Amount shall be treated as an amount received by such Partner in redemption of its Partnership Units. If, however, the Redemption Amount is less than the Withheld Amount, the Redeeming Limited Partner shall not receive any portion of the Redemption Amount, the Redemption Amount shall be treated as an amount received by such Partner in redemption of its Partnership Units, and the Partner shall contribute the excess of the Withheld Amount over the Redemption Amount to the Partnership before the Partnership is required to pay over such excess to a taxing authority.

(f) Notwithstanding any other provision of this Agreement, the General Partner shall place appropriate restrictions on the ability of the Limited Partners to exercise their Redemption Rights as and if deemed necessary to ensure that the Partnership does not constitute a "publicly traded partnership" taxable as a corporation under section 7704 of the Code. If and when the General Partner determines that imposing such restrictions is necessary, the General Partner shall give prompt written notice thereof (a "Restriction Notice") to each of the Limited Partners, which notice shall be

accompanied by a copy of an opinion of counsel to the Partnership that states that, in the opinion of such counsel, restrictions are necessary in order to avoid the Partnership being treated as a "publicly traded partnership" under section 7704 of the Code.

ARTICLE IX

TRANSFERS OF PARTNERSHIP INTERESTS

9.01 PURCHASE FOR INVESTMENT.

(a) Each Limited Partner hereby represents and warrants to the General Partner and to the Partnership that (i) the acquisition of its Partnership Interests and Partnership Units is made as a principal for its account for investment purposes only and not with a view to the resale or distribution of such Partnership Interest or Partnership Units, (ii) the Limited Partner understands and agrees that its acquisition of Partnership Interests and Partnership Units are being made in reliance on an exemption from registration under the Securities Act, and (iii) the Limited Partner is an "accredited investor" as that term may be defined pursuant to the rules and regulations of the Securities and Exchange Commission from time to time.

(b) Subject to the provisions of Section 9.02, each Limited Partner agrees that it will not sell, assign or otherwise transfer his Partnership Interest or Partnership Units or any fraction thereof, whether voluntarily or by operation of law or at judicial sale or otherwise, to any Person who does not make the representations and warranties to the General Partner and the Partnership set forth in Section 9.01(a) above.

9.02 RESTRICTIONS ON TRANSFER OF PARTNERSHIP INTERESTS.

(a) Subject to the provisions of Sections 9.02(b), (c) and (d), no Limited Partner may offer, sell, assign, hypothecate, pledge or otherwise transfer all or any portion of his Partnership Interest or Partnership Units, or any of such Limited Partner's economic rights as a

Limited Partner, whether voluntarily or by operation of law or at judicial sale or otherwise (collectively, a "Transfer") without the consent of the General Partner, which consent may be granted or withheld in its sole and absolute discretion. The General Partner may require, as a condition of any Transfer to which it consents, that the transferor assume all costs incurred by the Partnership in connection therewith.

(b) No Limited Partner may withdraw from the Partnership other than as a result of a permitted Transfer (i.e., a Transfer consented to as contemplated by clause (a) above or clause (c) below or a Transfer pursuant to Section 9.05 below) of all of his Partnership Units pursuant to this Article IX or pursuant to a redemption of all of his Partnership Units pursuant to Section 8.04. Upon the permitted Transfer or redemption of all of a Limited Partner's Partnership Units, such Limited Partner shall cease to be a Limited Partner.

(c) Subject to Sections 9.02(d) and (e) below, a Limited Partner may Transfer, with the consent of the General Partner, all or a portion of his Partnership Units to (i) a parent or parent's spouse, natural or adopted descendant or descendants, spouse of such descendant, or brother or sister, or a trust created by such Limited Partner for the benefit of such Limited Partner and/or any such person(s), of which trust such Limited Partner or any such person(s) is a trustee, (ii) a corporation, partnership or limited liability company controlled by a Person or Persons named in (i) above or (iii) if the Limited Partner is an entity, its beneficial owners.

(d) No Limited Partner may effect a Transfer of its Partnership Interest or Partnership Units, in whole or in part, if, in the opinion of legal counsel for the Partnership, such proposed Transfer would require the registration of the Partnership Interest or Partnership Units under the Securities Act or would otherwise violate any applicable federal or state securities or blue sky law (including investment suitability standards).

(e) No Transfer by a Limited Partner of its Partnership

Interest or Partnership Units, in whole or in part, may be made to any Person if (i) in the opinion of legal counsel for the Partnership, the transfer would result in the Partnership's being treated as a publicly traded partnership taxable as a corporation or an association taxable as a corporation (other than a qualified REIT subsidiary within the meaning of Section 856(i) of the Code) or (ii) in the opinion of legal counsel for the Partnership, it would adversely affect the ability of the Company to continue to qualify as a REIT or subject the Company to any additional taxes under Section 857 or Section 4981 of the Code.

(f) Any purported Transfer in contravention of any of the provisions of this Article IX shall be void ab initio and ineffectual and shall not be binding upon, or recognized by, the General Partner or the Partnership.

(g) Prior to and as a condition of the consummation of any Transfer under this Article IX, the transferor and/or the transferee shall deliver to the General Partner such opinions, certificates and other documents as the General Partner shall request in connection with such Transfer.

9.03 ADMISSION OF SUBSTITUTE LIMITED PARTNER.

(a) Subject to the other provisions of this Article IX, an assignee of the Partnership Interest of a Limited Partner (which shall be understood to include any purchaser, transferee, donee or other recipient of any disposition of such Partnership Interest) or Partnership Units shall be deemed admitted as a Limited Partner of the Partnership only with the consent of the General Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion, and upon the satisfactory completion of the following:

(i) The assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart or an amendment thereof, including a revised Exhibit A, and such other documents or instruments as the General Partner may require in order to effect the admission of such Person as a Limited Partner.

(ii) To the extent required, an amended Certificate evidencing the admission of such Person as a Limited Partner shall have been signed, acknowledged and filed for record in accordance with the Act.

(iii) The assignee shall have delivered a letter containing the representation set forth in Section 9.01(a) hereof and the agreement set forth in Section 9.01(b) hereof.

(iv) If the assignee is a corporation, partnership or trust, the assignee shall have provided the General Partner with evidence satisfactory to counsel for the Partnership of the assignee's authority to become a Limited Partner under the terms and provisions of this Agreement.

(v) The assignee shall have executed a power of attorney containing the terms and provisions set forth in Section 8.02 hereof.

(vi) The assignee shall have paid all legal fees and other expenses of the Partnership and the General Partner and filing and publication costs in connection with its substitution as a Limited Partner.

(vii) The assignee shall have obtained the prior written consent of the General Partner to its admission as a Substitute Limited Partner, which consent may be given or denied in the exercise of the General Partner's sole and absolute discretion.

(b) For the purpose of allocating Profits and Losses and distributing cash received by the Partnership, a Substitute Limited Partner shall be treated as having become, and appearing in the records of the Partnership as, a Partner upon the filing of the Certificate described in Section 9.03(a)(ii) hereof or, if no such filing is required, the later of the date specified in the transfer documents or the date on which the General Partner has received all necessary instruments of transfer and substitution.

(c) The General Partner shall cooperate with the Person seeking to become a Substitute Limited Partner by preparing the documentation required by this Section and making

all official filings and publications. The Partnership shall take all such action as promptly as practicable after the satisfaction of the conditions in this Article IX to the admission of such Person as a Limited Partner of the Partnership.

(d) The General Partner's failure or refusal to permit a transferee of any such interests to become a Substitute Limited Partner shall not give rise to any cause of action against the Partnership or any partner.

9.04 RIGHTS OF ASSIGNEES OF PARTNERSHIP INTERESTS.

(a) Subject to the provisions of Sections 9.01 and 9.02 hereof, except as required by operation of law, the Partnership shall not be obligated for any purposes whatsoever to recognize the assignment by any Limited Partner of its Partnership Interest or Partnership Units until the Partnership has received notice thereof.

(b) Any Person who is the assignee of all or any portion of a Limited Partner's Partnership Interest or Partnership Units, but does not become a Substitute Limited Partner and desires to make a further assignment of such Partnership Interest or Partnership Units, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Limited Partner desiring to make an assignment of its Partnership Interest or Partnership Units.

9.05 EFFECT OF BANKRUPTCY, DEATH, INCOMPETENCE OR TERMINATION OF A LIMITED PARTNER. The occurrence of an Event of Bankruptcy as to a Limited Partner, the death of a Limited Partner or a final adjudication that a Limited Partner is incompetent (which term shall include, but not be limited to, insanity) shall not cause the termination or dissolution of the Partnership, and the business of the Partnership shall continue if an order for relief in a bankruptcy proceeding is entered against a Limited Partner, the trustee or receiver of his estate or, if he dies, his executor, administrator or trustee, or, if he is finally adjudicated incompetent, his committee, guardian or conservator, shall have the rights of such Limited Partner for the purpose of settling or managing his estate property and such power as the bankrupt, deceased or incompetent Limited Partner possessed to assign all or any part of his Partnership Interest and to join with the assignee in satisfying conditions precedent to the admission of the assignee as a Substitute Limited Partner.

9.06 JOINT OWNERSHIP OF INTERESTS. A Partnership Interest may be acquired by two individuals as joint tenants with right of survivorship, provided that such individuals either are married or are related and share the same home as tenants in common. The written consent or vote of both owners of any such jointly held Partnership Interest shall be required to constitute the action of the owners of such Partnership Interest; provided, however, that the written consent of only one joint owner will be required if the Partnership has been provided with evidence satisfactory to the counsel for the Partnership that the actions of a single joint owner can bind both owners under the applicable laws of the state of residence of such joint owners. Upon the death of one owner of a Partnership Interest held in a joint tenancy with a right of survivorship, the Partnership Interest shall become owned solely by the survivor as a Limited Partner and not as an assignee. The Partnership need not recognize the death of one of the owners of a jointly-held Partnership Interest until it shall have received notice of such death. Upon notice to the General Partner from either owner, the General Partner shall cause the Partnership Interest to be

divided into two equal Partnership Interests, which shall thereafter be owned separately by each of the former owners.

ARTICLE X

BOOKS AND RECORDS; ACCOUNTING; TAX MATTERS

10.01 BOOKS AND RECORDS. At all times during the continuance of the Partnership, the Partners shall keep or cause to be kept at the Partnership's specified office true and complete books of account in accordance with generally accepted accounting principles, including: (a) a current list of the full name and last known business address of each Partner, (b) a copy of the Certificate of Limited Partnership and all certificates of amendment thereto, (c) copies of the Partnership's federal, state and local income tax returns and reports, (d) copies of this Agreement and any financial statements of the Partnership for the three most recent years and (e) all documents and information required under the Act. Any Partner or its duly authorized representative, upon paying the costs of collection, duplication and mailing, shall be entitled to inspect or copy such records during ordinary business hours.

10.02 CUSTODY OF PARTNERSHIP FUNDS; BANK ACCOUNTS.

(a) All funds of the Partnership not otherwise invested shall be deposited in one or more accounts maintained in such banking or brokerage institutions as the General Partner shall determine, and withdrawals shall be made only on such signature or signatures as the General Partner may, from time to time, determine.

(b) All deposits and other funds not needed in the operation of the business of the Partnership may be invested by the General Partner in investment grade instruments (or investment companies whose portfolio consists primarily thereof), government obligations, certificates of deposit, bankers' acceptances and municipal notes and bonds. The funds of the Partnership shall not be commingled with the funds of any other Person except for such commingling as may necessarily result from an investment in those investment companies permitted by this Section 10.02(b).

10.03 FISCAL AND TAXABLE YEAR. The fiscal and taxable year of the Partnership shall be the calendar year.

10.04 ANNUAL TAX INFORMATION AND REPORT. Within 75 days after the end of each fiscal year of the Partnership, the General Partner shall furnish to each person who was a Limited Partner at any time during such year the tax information necessary to file such Limited Partner's individual tax returns as shall be reasonably required by law.

10.05 TAX MATTERS PARTNER; TAX ELECTIONS; SPECIAL BASIS ADJUSTMENTS.

(a) The General Partner shall be the Tax Matters Partner of the Partnership within the meaning of Section 6231(a)(7) of the Code. As Tax Matters Partner, the General Partner shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the Tax Matters Partner. The General Partner shall have the right to retain professional assistance in respect of any audit of the Partnership by the Service and all

out-of-pocket expenses and fees incurred by the General Partner on behalf of the Partnership as Tax Matters Partner shall constitute Partnership expenses. In the event the General Partner receives notice of a final Partnership adjustment under Section 6223(a)(2) of the Code, the General Partner shall either (i) file a court petition for judicial review of such final adjustment within the period provided under Section 6226(a) of the Code, a copy of which petition shall be mailed to all Limited Partners on the date such petition is filed, or (ii) mail a written notice to all Limited Partners, within such period, that describes the General Partner's reasons for determining not to file such a petition.

(b) All elections required or permitted to be made by the Partnership under the Code or any applicable state or local tax law shall be made by the General Partner in its sole and absolute discretion.

(c) In the event of a transfer of all or any part of the Partnership Interest of any Partner, the Partnership, at the option of the General Partner, may elect pursuant to Section 754 of the Code to adjust the basis of the Properties. Notwithstanding anything contained in Article V of this Agreement, any adjustments made pursuant to Section 754 shall affect only the

successor in interest to the transferring Partner and in no event shall be taken into account in establishing, maintaining or computing Capital Accounts for the other Partners for any purpose under this Agreement. Each Partner will furnish the Partnership with all information necessary to give effect to such election.

10.06 REPORTS TO LIMITED PARTNERS.

(a) If the Company is required to furnish an annual report to its stockholders containing financial statements of the Company , the Company will, at the same time and in the same manner, furnish such annual report to each Limited Partner. The annual financial statements shall be audited by accountants selected by the Company.

(b) Any Partner shall further have the right to a private audit of the books and records of the Partnership, provided such audit is made for Partnership purposes, at the expense of the Partner desiring it and is made during normal business hours.

ARTICLE XI

AMENDMENT OF AGREEMENT; MERGER

The General Partner's consent shall be required for any amendment to this Agreement. The General Partner, without the consent of the Limited Partners, may amend this Agreement in any respect; provided, however, that the following amendments shall require the consent of Limited Partners (other than the Company or any Subsidiary of the Company) holding more than 50% of the Percentage Interests of the Limited Partners (other than those held by the Company or any Subsidiary of the Company):

(a) any amendment affecting the operation of the Conversion Factor or the Redemption Right (except as otherwise provided herein) in a manner adverse to the Limited Partners;

(b) any amendment that would adversely affect the rights of the Limited Partners to receive the distributions payable to them hereunder, other than with respect to the issuance of additional Partnership Units pursuant to Section 4.02 hereof;

(c) any amendment that would alter the Partnership's allocations of Profit and Loss to the Limited Partners, other than with respect to the issuance of additional Partnership Units pursuant to Section 4.02 hereof;

(d) any amendment that would impose on the Limited Partners any obligation to make additional Capital Contributions to the Partnership; or

(e) any amendment to this Article XI.

The General Partner, without the consent of the Limited Partners, may (i) merge or consolidate the Partnership with or into any other domestic or foreign partnership, limited partnership, limited liability company or corporation in a transaction pursuant to Section 7.01(c) and (d) hereof, or (ii) sell any, all or substantially all of the assets of the Partnership and may amend this Agreement in connection with any such transaction.

ARTICLE XII

GENERAL PROVISIONS

12.01 NOTICES. All communications required or permitted under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or upon deposit in the United States mail, registered, postage prepaid return receipt requested, to the Partners at the addresses set forth in Exhibit A attached hereto; provided, however, that any Partner may specify a different address by notifying the General Partner in writing of such different address. Notices to the Partnership shall be delivered at or mailed to its specified office.

12.02 SURVIVAL OF RIGHTS. Subject to the provisions hereof limiting transfers, this Agreement shall be binding upon and inure to the benefit of the Partners and the Partnership and their respective legal representatives, successors, transferees and assigns.

12.03 ADDITIONAL DOCUMENTS. Each Partner agrees to perform all further acts and execute, swear to, acknowledge and deliver all further documents that may be reasonable, necessary, appropriate or desirable to carry out the provisions of this Agreement or the Act.

12.04 SEVERABILITY. If any provision of this Agreement shall be declared illegal, invalid or unenforceable in any jurisdiction, then such provision shall be deemed to be severable from this Agreement (to the extent permitted by law) and in any event such illegality, invalidity or unenforceability shall not affect the remainder hereof.

12.05 ENTIRE AGREEMENT. This Agreement and exhibits attached hereto constitute the entire Agreement of the Partners and supersede all prior written agreements and prior and contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof.

12.06 PRONOUNS AND PLURALS. When the context in which words are used in the Agreement indicates that such is the intent, words in the singular number shall include the plural and the masculine gender shall include the neuter or female gender as the context may require.

12.07 HEADINGS. The Article headings or sections in this Agreement are for convenience only and shall not be used in construing the scope of this Agreement or any particular Article.

12.08 COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one and the same instrument binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.

12.09 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have hereunder affixed their signatures to this Amended and Restated Agreement of Limited Partnership, all as of the date first above written.

PARTNERSHIP:

MPT OPERATING PARTNERSHIP, L.P.
BY: MEDICAL PROPERTIES TRUST, LLC
ITS: GENERAL PARTNER
BY: MEDICAL PROPERTIES TRUST, INC.
ITS: SOLE MEMBER

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.

Title: President & CEO

GENERAL PARTNER:

MEDICAL PROPERTIES TRUST, LLC
BY: MEDICAL PROPERTIES TRUST, INC.
ITS: SOLE MEMBER

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.

Title: President & CEO

LIMITED PARTNERS:

MEDICAL PROPERTIES TRUST, INC.

By: /s/ Edward K. Aldag, Jr.

Name: Edward K. Aldag, Jr.

Title: President & CEO

EXHIBIT A

Partner	Cash Contribution	Agreed Value of Capital Contribution	Number of Partnership Units	Percentage Interest
GENERAL PARTNER: Medical Properties Trust, LLC A Delaware limited liability company	$ 16.30	$ 16.30	16,304.35	1%
LIMITED PARTNERS: Medical Properties Trust, Inc.	$ 1,614.14	$ 1,614.14	1,614,130.65	99%
TOTALS:	$ 1,630.44	$ 1,630.44	1,630,435	100%

Exhibit A-1

EXHIBIT B

NOTICE OF EXERCISE OF REDEMPTION RIGHT

In accordance with Section 8.04 of the First Amended and Restated Agreement of Limited Partnership (the "Agreement") of MPT Operating Partnership, L.P., the undersigned hereby irrevocably (i) presents for redemption _____ Partnership Units in MPT Operating Partnership, L.P. in accordance with the terms of the Agreement and the Redemption Right referred to in Section 8.04 thereof, (ii) surrenders such Partnership Units and all right, title and interest therein and (iii) directs that the Cash Amount or REIT Shares Amount (as defined in the Agreement) as determined by the General Partner and the Company deliverable upon exercise of the Redemption Right be delivered to the address specified below, and if REIT Shares (as defined in the Agreement) are to be delivered, such REIT Shares be registered or placed in the name(s) and at the address(es) specified below.

Dated:_____ __, _____

Name of Limited Partner:

(Signature of Limited Partner)

(Mailing Address)

(City) (State) (Zip Code)

Signature Guaranteed by:

If REIT Shares are to be issued, issue to:

Please insert social security or identifying number:

Name:

Exhibit B-1

EXHIBIT C

For Redeeming Limited Partners that are entities:

CERTIFICATION OF NON-FOREIGN STATUS

Under section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), in the event of a disposition by a non-U.S. person of a partnership interest in a partnership in which (i) 50% or more of the value of the gross assets consists of United States real property interests ("USRPIs"), as defined in section 897(c) of the Code, and (ii) 90% or more of the value of the gross assets consists of USRPIs, cash, and cash equivalents, the transferee will be required to withhold 10% of the amount realized by the non-U.S. person upon the disposition. To inform Medical Properties Trust, Inc. (the "Company") and MPT Operating Partnership, L.P. (the "Partnership") that no withholding is required with respect to the redemption by _____ ("Partner") of its units of partnership interest in the Partnership, the undersigned hereby certifies the following on behalf of Partner:

1. Partner is not a foreign corporation, foreign partnership, foreign trust, or foreign estate, as those terms are defined in the Code and the Treasury regulations thereunder.

2. The U.S. employer identification number of Partner is _____.

3. The principal business address of Partner is:
_____ _____ and Partner's place of incorporation is_____.

4. Partner agrees to inform the Company if it becomes a foreign person at any time during the three-year period immediately following the date of this notice.

5. Partner understands that this certification may be disclosed to the Internal Revenue Service by the Company and that any false statement contained herein could be punished by fine, imprisonment, or both.

PARTNER

By:

Name:

Its:

Under penalties of perjury, I declare that I have examined this certification and, to the best of my knowledge and belief, it is true, correct, and complete,

and I further declare that I have authority to sign this document on behalf of Partner.

Date: [NAME]

Title

Exhibit C-1

For Redeeming Limited Partners that are individuals:

CERTIFICATION OF NON-FOREIGN STATUS

Under section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), in the event of a disposition by a non-U.S. person of a partnership interest in a partnership in which (i) 50% or more of the value of the gross assets consists of United States real property interests ("USRPIs"), as defined in section 897(c) of the Code, and (ii) 90% or more of the value of the gross assets consists of USRPIs, cash, and cash equivalents, the transferee will be required to withhold 10% of the amount realized by the non-U.S. person upon the disposition. To inform Medical Properties Trust, Inc. (the "Company") and MPT Operating Partnership, L.P. (the "Partnership") that no withholding is required with respect to my redemption of my units of partnership interest in the Partnership, I, _____, hereby certify the following:

1. I am not a nonresident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (social security number) is _____.

3. My home address is: _____.

4. I agree to inform the Company promptly if I become a nonresident alien at any time during the three-year period immediately following the date of this notice.

5. I understand that this certification may be disclosed to the Internal Revenue Service by the Company and that any false statement contained herein could be punished by fine, imprisonment, or both.

Name:

Under penalties of perjury, I declare that I have examined this certification and, to the best of my knowledge and belief, it is true, correct, and complete.

Date:

Name:

Exhibit C-2

EXHIBIT 10.39

SUBLEASE AGREEMENT

MPT OF NORTH CYPRESS, L.P.,
A DELAWARE LIMITED PARTNERSHIP

LANDLORD

AND

NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD.
A TEXAS LIMITED PARTNERSHIP

TENANT

PROPERTY: NORTH CYPRESS HOSPITAL FACILITY
HARRIS COUNTY, TEXAS

AS OF JUNE 1, 2005

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SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (this "Lease") is dated as of the _____ day of June, 2005, but effective as of June 1, 2005, and is between MPT OF NORTH CYPRESS, L.P., "(Landlord") a Delaware limited partnership, having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242, and NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD. ("Tenant"), a Texas limited partnership, having its principal office at 6830 North Eldridge Parkway, Suite 406, Houston, Texas 77041.

WITNESSETH:

WHEREAS, Land Owner is the owner of the fee simple interest in that certain real property located in Harris County, Texas, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference (the "Land");

WHEREAS, Northeast Parcel Owner is the owner of the fee simple interest in that certain real property located adjacent to portions of the Land, which real property is more particularly described on EXHIBIT B attached hereto and incorporated herein by reference (the "Northeast Parking Parcel");

WHEREAS, Landlord and Northeast Parcel Owner, on or about the date hereof, entered into the Parking Area Ground Lease pursuant to which Landlord leased and rented from Northeast Parcel Owner the Northeast Parking Parcel;

WHEREAS, Landlord and Land Owner, on or about the date hereof, entered into the Hospital Tract Ground Lease pursuant to which Landlord leased and rented from Land Owner the Land;

WHEREAS, pursuant to the Ground Leases, Landlord has the right to construct improvements on the Land and the Northeast Parking Parcel;

WHEREAS, Landlord intends to sublease the Land and the Northeast Parking Parcel to Tenant and Tenant intends to build on the Land and the Northeast Parking Parcel the Hospital Improvements, all as more particularly set forth herein; and

WHEREAS, of even date herewith, Lender and Tenant has consummated the Loan, the proceeds of which shall be utilized by Tenant for the construction of the Hospital Improvements.

NOW THEREFORE, for and in consideration of the premises, the covenants and representations herein made and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Landlord and

Tenant do hereby agree as follows:

ARTICLE I

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:

Additional Charges: As defined in Section 3.2.

Additional Letter of Credit: As defined in Section 32.8.

Adjustment Date: As defined in Section 3.1(c).

Affiliate: When used with respect to any corporation, limited liability company, or partnership, 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(c).

Base Rent: As defined in Section 3.1(b).

Building: The sixty-four (64) bed, two hundred twenty-five thousand (225,000) gross square feet general acute care hospital building which Tenant is to construct on the Land.

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 Addition: One or more new buildings or one or more additional structures annexed to any portion of any of the Hospital 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; provide no improvements which are construed pursuant to the Construction Loan Agreement shall be deemed to be a Capital Addition.

Capital Addition Cost: The cost of any Capital Addition whether or not paid for by Tenant or Landlord. Such cost shall include (a) the cost of construction of the Capital Addition, 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 Landlord, (b) if agreed to by Landlord in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Addition 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 Addition 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, transfer taxes or other similar charges, if any, and (h) all reasonable costs and expenses of Landlord and any Lending Institution which has committed to finance the Capital Addition, 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, intangible taxes and recording 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 Addition.

Capital Improvement Reserve: As defined in Section 9.1(e).

Code: The Internal Revenue Code of 1986, as amended.

Commencement Date: As defined in Article II.

Completion: The terms "completion," "complete construction," "completion of construction" and similar phrases means the date upon which the Project Architect (as defined in the Construction Loan Agreement) shall have delivered to Landlord a certification stating that, except for typical punch list items, the construction of the Hospital Improvements has been completed in accordance with the plans and specifications as approved pursuant to the Construction Loan Agreement.

Completion Date: The earlier to occur of (i) the date on which Tenant obtains its Medicare billing number, or (ii) one hundred twenty (120) days subsequent to the date of the issuance of a final certificate of occupancy for the Building by the appropriate governmental authority; but in no event later that the maturity date of the Loan.

Condemnation: As defined in Section 15.1(a).

Condemnor: As defined in Section 15.1(d).

Consolidated Net Worth: At any time, the sum of the following for Tenant and its respective consolidated subsidiaries on a consolidated basis determined in accordance with GAAP.

(a) the amount of capital or stated capital (after deducting the cost of any treasury shares), plus

(b) the amount of capital surplus and Retained Earnings (or, in the case of a capital surplus or Retained Earnings deficit, minus the amount of such deficit), minus

(c) the sum of the following (without duplication of deductions in respect of items already deducted in arriving at surplus and retained earnings): (i) unamortized debt discount and expense and (ii) any write-up in book value of assets resulting from a revaluation thereof pursuant to GAAP subsequent to the most recent Income Statements prior to the date thereof, except any net write-up in value of foreign currency in accordance with GAAP; any write-up resulting from reversal of a reserve for bad debts or depreciation; and any write-up resulting from a change in methods of accounting for inventory.

Construction Loan Agreement: That certain Construction Loan Agreement dated of even date herewith between Lender and Tenant, which agreement was executed and delivered in connection with the Loan.

Construction Period: That period of time commencing on the date on which the first advancement of funds are disbursed under the Construction Loan Agreement and ending on the Completion Date.

Construction Period Rent: As defined in Section 3.1(a).

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, 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 Consumer Price Index had not been discontinued or revised.

Cost Component: As defined in Section 3.1(a).

Costs Confirmation: As defined in Section 3.1(d).

Credit Enhancements: All security deposits, security interests, letters of credit, pledges, guaranties, prepaid rent or other sums, deposits or interests held by Tenant, if any, with respect to the Leased Property, the Secondary Leases or the Lessees.

Date of Taking: As defined in Section 15.1(b).

Deposit Reduction Criteria: As defined in Section 3.4(d).

EBITDAR: For any calculation period, earnings for such period before the deduction of interest, taxes, depreciation, amortization and rent for such period, as those terms are determined in accordance with GAAP.

EBITDAR Lease Coverage: For any calculation period, EBITDAR for such period divided by the sum for such period of all scheduled lease payments, debt service payments (including payments of principal and interest), and payments to fund required reserves.

EBITDAR Total Fixed Charge Coverage: For any calculation period, EBITDAR for such period divided by payments of Base Rent for such period.

Encumbrances: As defined in Article XXVIII.

Event of Default: As defined in Section 16.1.

Expansion Improvements: As defined in Section 10.1(a).

Facility: The licensed general acute care hospital facility to be operated in the Building, all improvements constructed in connection therewith and all licenses and other intangibles necessary for the operation of such hospital facility.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Value: The price at which property would change hands between a willing seller and willing buyer, neither being under any compulsion to buy or sell and both having full knowledge of all facts relevant to the property.

Fair Market Value of the Leased Property and the Hospital Improvements: The Fair Market Value of the Leased Property shall at any time be its Fair Market Value, including all Capital Additions, and shall:

(a) be determined in accordance with the appraisal procedures set forth in Article XXVII or in such other manner as shall be mutually acceptable to Landlord and Tenant;

(b) not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Tenant or Landlord 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 the Fair Market Value of the Leased Property 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 the Fair Market Value of the Leased Property);

(c) assume this Lease is not terminated prior to the expiration of the Fixed Term; and

(d) be based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to Tenant's operations.

Fair Market Added Value: The Fair Market Value of the Leased Property and the Hospital Improvements (including all Capital Addition) less the Fair Market Value of the Leased Property and the Hospital Improvements determined as if no Capital Addition paid for by Tenant had been constructed.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property and the Hospital Improvements 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 II.

Fixtures: As defined in Article II.

Full Replacement Cost: As defined in Section 13.1.

GAAP: Generally accepted accounting principles as consistently applied in the United States and in effect from time to time.

Ground Leases: The Hospital Tract Ground Lease and the Parking Area Ground Lease.

Ground Rent Component: As defined in Section 3.1(a).

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 Law.

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, 49 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq., the Clean Air Act, 42 U.S.C. Sections 741 et seq., the Clean Water Act, 33 U.S.C. Section 7401, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j, 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 Monetary 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.

Hospital Improvements: The Building, the Fixtures and other improvements of every kind including, but not limited to, 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 related to the Building.

Hospital Tract Ground Lease: That certain Net Ground Lease (Hospital

Tract) dated of even date herewith by and between Land Owner, as landlord, and Landlord, as tenant, pursuant to which the Land is leased to Landlord.

Impositions: Collectively, all civil monetary penalties, fines and overpayments imposed by state and federal regulatory authorities, all taxes (including, without limitation, all capital stock and franchise taxes of Landlord, all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes), 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 Tenant), which at any time prior to, during or in respect of the Term may be assessed or imposed on or in respect of or be a lien upon (a) Landlord or Landlord's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent there from 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 Tenant to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Landlord, or (2) any transfer or net revenue tax of Landlord, or (3) any tax imposed with respect to the sale, exchange or other disposition by Landlord 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 Tenant is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term 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 Tenant shall pay.

Income Statements: For any fiscal year or other accounting period for Tenant and its 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.

Insurance Requirements: All terms of any insurance policy required by this Lease or any such additional insurance which Lessor may reasonably require and all requirements of the issuer of any such policies.

Land: As defined in the first "WHEREAS" clause.

Land Owner: North Cypress Property Holdings, Ltd., a Texas limited partnership which is an Affiliate of Tenant.

Landlord: As defined in the Preamble and any successor or assign thereof.

Landlord Default: As defined in Section 17.1.

Landlord's Notice Address: As defined in Section 13.4.

Lease: As defined in the Preamble.

Lease Confirmation Letter: As defined in Section 3.5.

Lease Deposit: As defined in Section 3.4.

Lease Assignment: That certain Assignment of Rents and Leases dated on or about the Commencement Date executed by Tenant to Landlord, pursuant to the

terms of which Tenant has assigned to Landlord each of the Secondary Leases and Credit Enhancements, if any, as security for the obligations of Tenant under this Lease, and any other obligations of Tenant to Landlord, or any Affiliate of Tenant to Landlord.

Lease Year: A twelve (12) month period commencing on the Commencement Date or on each anniversary date thereof, as the case may be.

Leased Property: As defined in Article II.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting

Tenant's operation of its business on the Leased Property, the Leased Property or the construction, use or alteration of the Hospital Improvements (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 Tenant (other than encumbrances created by Landlord without the consent of Tenant), at any time in force affecting the Leased Property.

Lender: MPT Finance Company, LLC, a Delaware limited liability company, which is an Affiliate of Landlord.

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 $50,000,000.

Lessees: The lessees or tenants under the Secondary Leases.

Letter of Credit: As defined in Section 3.4(b).

Licenses: As defined in Section 30.1.

Loan: That certain construction loan made by Lender to Tenant in the original principal amount of Sixty-Four Million Twenty-Eight Thousand and No/100 Dollars ($64,028,000.00), the proceeds of which, pursuant to the Construction Loan Agreement, shall be disbursed to Tenant for payment of costs incurred in connection with the construction of the Hospital Improvements.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the Land and the Hospital 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 pursuant to a Management Agreement.

Medicaid: The medical assistance program established by the State under 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.

Non-Capital Additions: As defined in Section 10.4.

Northeast Parcel Owner: Northern Healthcare Land Ventures, Ltd., a Texas limited partnership which is an Affiliate of Tenant.

Northeast Parking Parcel: As defined in the second (2nd) "WHEREAS" clause.

Officer's Certificate: A certificate of Tenant signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Tenant or another officer authorized to so sign by the Board of Directors or other governing body of Tenant, 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.

Organizational Documents: As defined in Section 8.7.

Overdue Rate: On any date, the rate per annum which is the greater of (i) eighteen percent (18%) or (ii) the highest rate allowed by the laws of the State.

Parking Area Ground Lease: That certain Net Ground Lease (Northeast Parking Parcel) dated effective as of June 1, 2005, by and between Northern Healthcare Land Ventures, Ltd., as landlord, and Landlord, as tenant, pursuant to which the Northeast Parking Parcel is leased to Landlord.

Permitted Exceptions: As defined in Article II.

Primary Intended Use: As defined in Section 7.2(c).

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: The Purchase and Sale Agreement dated of even date herewith, between Tenant and Landlord, relating to the acquisition of the Hospital Improvements by Landlord from Tenant.

REA: That certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions and Restrictions for Development and Operation of the North Cypress Medical Center Campus, dated effective as of June 1, 2005, by and among Northern Healthcare Land Ventures, Ltd., Northern Healthcare Land Ventures-II, Ltd. and Land Owner, recorded or to be recorded in the land records of Harris County, Texas. The REA encumbers the Land.

Release: As defined in Section 8.3(b).

Rent: Collectively, the Base Rent, the Construction Period Rent and the Additional Charges.

Request: As defined in Section 10.3(a).

Retained Earnings: The accumulated undisturbed earnings of the Company retained for future needs for future distributions to owners of the Company.

Schedule: As defined in Section 3.1(c).

Secondary Leases: All leases, subleases and other rental agreements (written or verbal, now or hereafter in effect), if any, that grant a possessory interest in and to any space in the Leased Property and/or the Hospital Improvements, or that otherwise have rights with regard to the Leased Property and/or the Hospital Improvements, and all Credit Enhancements, if any, held in connection therewith.

Security Agreement: That certain Security Agreement to be dated on or about the Commencement Date executed by Tenant to Landlord, pursuant to the terms of which Tenant has granted to Landlord a first lien and security interest in all of Tenant's rights under this Lease and in and to certain of Tenant's Personal Property and to all of the Licenses.

Single Purpose Entity: An entity which (i) exists solely for the purpose of leasing Lease Property and operating the Facility, (ii) conducts business only in its own name, (iii) does not

engage in any business other than the operation of the Facility and those ancillary services normally performed by a hospital, (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 Leased Property which it leases from Landlord hereunder, (v) does not have any assets other than those related to its interest in the Leased Property and does not have any debt other than as permitted by this Lease and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, (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) observes limited liability company/partnership/corporate formalities, as the case may be, independent of any other entity.

State: The state in which the Land is located.

Taking: A taking or voluntary conveyance during the Term 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.

Tenant: As defined in the Preamble and any successor and assign herein permitted.

Tenant's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property, and consumable inventory and supplies, used or useful in the operation of the Facility, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Tenant's operating licenses but excluding Tenant's accounts receivables and any items included within the definition of Fixtures.

Term: The actual duration of this Lease, taking into account any termination.

Test Rate: As defined in Section 10.2(c)(ii).

TDH: Texas Department of Health.

Total Development Costs: The total development costs for the development of the Hospital Improvements as set forth in the Construction Loan Agreement (including, without limitation, the (i) all amounts advanced or paid pursuant to the Construction Loan Agreement, and (ii) all other costs agreed by Lender and Tenant to be included in Total Development Costs) [including, without limitation, all fees and expenses paid by Landlord in connection with the construction, development and operation of the Leased Property advanced or paid by Landlord].

Unsuitable for its Primary Intended Use: By reason of damage or destruction, or a partial Taking by Condemnation, the Facility cannot be operated 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 II

LEASED PROPERTY AND TERM

2.1 LEASED PROPERTY AND TERM. Upon and subject to all of the terms and conditions set forth in this Lease, Landlord leases to Tenant and Tenant rents from Landlord the following property (collectively, the "Leased Property"):

(a) the Land;

(b) the Northeast Parking Parcel; and

(c) all easements, rights and appurtenances relating to the Land and the Northeast Parking Parcel.

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT C attached hereto and incorporated herein by reference (the "Permitted Exceptions"), Tenant shall have and hold the Leased Property for a fixed term (the "Fixed Term") commencing on June 1, 2005 (the "Commencement Date") and ending at midnight on May 1, 2104, unless earlier terminated as a result of Landlord's acquisition of the Hospital Improvements from Tenant.

2.2 PURCHASE OF HOSPITAL IMPROVEMENTS. Landlord and Tenant, of even date, have entered into that certain Purchase Agreement pursuant to which Landlord has the right, upon the terms and conditions therein set forth, to purchase the Hospital Improvements from Tenant. This Lease shall terminate automatically upon the conveyance of the Hospital Improvements from Tenant to Landlord.

2.3 REA RESTRICTIONS. Pursuant to Section 9.03 of the REA, Tenant is hereby notified that the restrictions, regulations and conditions regarding operation and use of the Campus (as defined in the REA), a copy of which are attached hereto as EXHIBIT E and by this reference made a part hereof, effect the Premises and that Tenant must comply with the same.

ARTICLE III

RENT

3.1 CONSTRUCTION PERIOD RENT; BASE RENT. Tenant shall pay to Landlord, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Landlord's address set forth herein or at such other place or to such other person, firms or entity as Landlord from time to time may designate in writing, rent during the Term, as follows:

(a) CONSTRUCTION PERIOD RENT: During the Construction Period, Tenant shall pay Landlord, in consecutive monthly installments, a monthly amount equal to the sum of (A) the product of (i) ten and one-half percent (10.5%) multiplied by (ii) the total amount of funds disbursed under the Construction Loan Agreement as of the date such payment is due, divided by twelve (12) [the portion of the Base Rent specified in this clause (A) being referred to herein as the "Cost Component"], plus (B) the amount set forth in Schedule 3 for the applicable period [the portion of the Base Rent specified in this clause (B) being referred to herein as the "Ground Rent Component"] [collectively, the "Construction Period Rent"]. The Construction Period Rent shall commence as of June 1, 2005.

(b) BASE RENT: Subject to adjustment as provided in Sections 3.1(c) and 10.3(b)(iv), from and after the Completion Date and throughout the remainder of the Term, Tenant shall pay Landlord rent (the "Base Rent") in an amount equal to the sum of

(A) ten and one-half percent (10.5%) per annum of the Total Development Costs [the portion of the Base Rent specified in this clause (A) also being referred to herein as the "Cost Component"], plus (B) the amount set forth in Schedule 3 for the applicable period [the portion of the Base Rent specified in this clause (B) also being referred to herein as the "Ground Rent Component"]. Base Rent shall be payable in advance in equal, consecutive monthly installments on the first (1st) day of each calendar month of the Term, commencing on the first (1st) day of the month immediately following the Completion Date (prorated as to any partial month).

(c) ADJUSTMENT OF BASE RENT: Commencing on the first January 1 subsequent to the Commencement Date, and on each January 1 thereafter (each an "Adjustment Date") during the Term, the applicable Cost Component of the Base Rent shall be increased by an amount equal to the greater of (A) two and one-half percent (2.5%) per annum of the prior year's Cost Component, or (B) the percentage by which the Consumer Price Index on the Adjustment Date shall have increased over the Consumer Price Index figure in effect on the then just previous Adjustment Date. If the previous year's Cost Component of Base Rent is for a partial year, such Cost Component shall be annualized for purposes of this adjustment.

(d) SCHEDULE OF TOTAL DEVELOPMENT COSTS AND RENT ADJUSTMENTS: At the end of the Construction Period, Tenant and Lender shall agree upon the final Total Development Costs and Tenant shall deliver to Landlord written

evidence of the amount agreed upon by Tenant and Lender (the "Costs Confirmation"). Upon receipt of the Costs Confirmation, Landlord shall calculate the Base Rent to be paid hereunder (the "Schedule") and provide a copy of the Schedule to Tenant. The Schedule will become a part of this Lease and be incorporated herein by reference. The Schedule shall be substituted, amended and adjusted by Landlord from time to time in its reasonable discretion as the rent payments and rent adjustments are calculated during the Term as provided herein, and, when delivered to Tenant, such substituted, amended and adjusted Schedule shall become a part of this Lease and incorporated herein by reference.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent and the Construction Period Rent (a) Tenant also will pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions relating to the Leased Property and the Facility, including, without limitation, all licensure violations, civil monetary penalties and fines, all common area expenses and other charges assessed against the Leased Property and/or the Facility pursuant to the REA, and (b) in the event of any failure on the part of Tenant to pay any of those items referred to in clause (a) above, Tenant also will 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 Landlord 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, Construction Period Rent or Additional Charges shall not be paid within five (5) Business Days after its due date, Tenant will pay Landlord on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Tenant

pays any Additional Charges to Landlord pursuant to any requirement of this Lease, Tenant shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Landlord, so that this Lease shall yield to Landlord the full amount of the installments of Base Rent, Construction Period 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. Tenant further acknowledges and agrees that all charges, assessments or payments of any kind due and payable under the Permitted Exceptions shall be paid by Tenant as such charges, assessments or payments become due and payable.

3.4 LEASE DEPOSIT.

(a) Tenant shall pay to Landlord on the Commencement Date a security deposit in the amount of Six Million Seven Hundred Twenty-Two Thousand Nine Hundred Forty and No/100 Dollars ($6,722,940.00) [the "Lease Deposit"]. The Lease Deposit shall be held by Landlord as security for the performance by Tenant of Tenant's covenants and obligations under this Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Landlord's damages in case of default by Tenant. Landlord may, from time to time, without prejudice to any other remedy, use the proceeds thereof to make good any arrearages of Rent, to satisfy any other covenant or obligation of Tenant hereunder or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of any default by Tenant. Following any such use of the Lease Deposit by Landlord, Tenant shall deliver to Landlord on demand an amount sufficient to restore the aggregate amount held by Landlord to the amount of the original Lease Deposit. If Tenant is not in default at the termination of this Lease, and has complied with all of the provisions of this Lease to be performed by Tenant, including surrender of the Leased Property in accordance with the provisions hereof, the Lease Deposit shall be returned by Landlord to Tenant, subject to any draws which have previously been made by Landlord against the Lease Deposit and not replenished by Tenant. Tenant will not assign or encumber Tenant's interest in the Lease Deposit, and neither Landlord nor Landlord's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Landlord is not required to hold the Lease Deposit in an interest bearing

account; however in the event Landlord, at its sole election, shall hold the Lease Deposit in an interest bearing account; any interest earned on the Lease Deposit will be for the sole benefit of the Landlord and shall not in any way reduce any amounts owed by Tenant under the terms hereof. Except as otherwise provided under applicable law, Landlord may co-mingle the Lease Deposit with other funds of Landlord.

(b) The Lease Deposit, at Tenant's option, may be made by the delivery to Landlord of a letter of credit in the required amount (the "Letter of Credit"). The Letter of Credit shall be unconditional, irrevocable and payable on demand, in the form attached hereto as EXHIBIT D and by this reference made a part hereof, and the issuing bank shall be Republic National Bank or a similar institution having comparable assets which is acceptable to Landlord. The term of the Letter of Credit shall be at least one (1) year and

Tenant shall renew the Letter of Credit within thirty (30) days prior to the expiration of the term of the Letter of Credit and shall continue such renewals until such date which is sixty (60) days beyond the expiration of the Term. In the event Tenant shall fail to timely renew the Letter of Credit as provided above, Landlord shall have the right to draw upon the Letter of Credit. The funds received by Landlord from a drawing upon the Letter of Credit shall become the Lease Deposit and shall be held and utilized in accordance with the terms of this Agreement.

(c) Within ten (10) days subsequent to Tenant's receipt of the Schedule, the amount of the Lease Deposit shall be re-calculated to be an amount equal to one (1) year of Base Rent. If the recalculated amount of the Lease Deposit shall be greater than the amount of Lease Deposit set forth in Section 3.4(a), then on or before the expiration of said ten (10) day period, Tenant shall deliver to Landlord an amount necessary to cause the Lease Deposit to equal the recalculated amount or in the event a Letter of Credit was provided as the Lease Deposit, Tenant shall deliver to Landlord a substitute Letter of Credit which conforms to the requirements of Section 3.4(b) and upon receipt of the substitute Letter of Credit, Landlord shall return to Tenant the original Letter of Credit. For purposes of this Lease, the Lease Deposit as recalculated pursuant to this Section 3.4(c) shall be deemed to be the "Lease Deposit".

(d) At such time as the operations from the Facility have a sustained EBITDAR coverage of at least two (2) times Base Rent for two (2) consecutive Fiscal Years, (the "Deposit Reduction Criteria"), the amount of the Lease Deposit shall be reduced by one-half. Tenant shall notify Landlord in writing that Tenant has met the Deposit Reduction Criteria and shall provide Landlord with evidence satisfactory to Landlord that Tenant has met the Deposit Reduction Criteria. Thereafter, Landlord, if the Lease Deposit shall be a cash deposit, shall deliver one-half of the Lease Deposit to Tenant. In the event the Lease Deposit held by Landlord is a Letter of Credit, then upon receipt of the said notice and evidence and a substitute Letter of Credit, which satisfies the conditions of Section 3.4(b), in an amount equal to six (6) months of Base Rent, Landlord shall return the original Letter of Credit to Tenant. For purposes of this Lease, the reduced Lease Deposit as provided above or the substituted Letter of Credit shall be deemed the "Lease Deposit".

3.5 LEASE CONFIRMATION LETTER. Upon delivery and receipt of the Schedule, Landlord and Tenant shall execute and deliver to each other a letter (the "Lease Confirmation Letter") confirming the Completion Date and the final Total Development Costs. The Lease Confirmation Letter will become a part of this Lease and incorporated herein by reference and all payments under this Lease determined by using the Total Development Costs shall be recalculated and adjusted by the amount of the Total Development Costs as confirmed in the Lease Confirmation Letter.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to the terms of Article XII, Tenant 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 authorities or other party to whom such Imposition is payable where feasible, and Tenant will promptly, upon request, furnish to Landlord copies of official receipts or other satisfactory proof evidencing such payments. Tenant's obligation to pay the Impositions shall be deemed absolutely fixed upon the date the Imposition becomes a lien upon the Leased Property or any part thereof. If any Imposition may, at the option of the Landlord, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant 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 (subject to Tenant's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Landlord, at its expense, shall prepare and file all tax returns and reports as may be required by governmental authorities in respect of Landlord's net income, gross receipts, franchise taxes and taxes on its capital stock, and Tenant, at its expense and to the extent permitted by applicable laws and regulations shall prepare and file all 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 Tenant, the same shall be paid over to or retained by Tenant if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Landlord due to an Event of Default shall be applied as provided in Article XVI. Landlord and Tenant 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, Tenant shall file all personal property tax returns in such jurisdictions where filing is required and Tenant may legally make such filing. Landlord, to the extent it possesses the same, and Tenant, 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 Landlord is legally required to file personal property tax returns, Tenant will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Tenant to file a protest. Tenant may, upon giving notice to Landlord, at Tenant's option and at Tenant's sole cost and expense, protest, appeal, or institute such other proceedings as Tenant may deem appropriate to effect a reduction of real estate or personal property assessments and Landlord, at Tenant's expense, shall fully cooperate with Tenant in such protest, appeal, or other action. Billings for reimbursement by Tenant to Landlord 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 shall be adjusted and prorated between Landlord and Tenant, whether or not such Imposition is imposed before or after such termination, and Tenant's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Tenant will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water, voice, video and data and other utilities used in the Facility during the Term, and, unless paid as part of the Total Development

Costs, all impact and tap fees necessary for the development of the Leased Property and the operation of the Facility.

4.4 INSURANCE PREMIUMS. Tenant 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.

ARTICLE V

NO TERMINATION

5.1 TRIPLE NET LEASE. The parties hereto understand, acknowledge and agree

that this is an absolute triple net lease. Tenant shall remain bound by this Lease in accordance with its terms and, without the consent of Landlord, shall neither take any action to modify, surrender or terminate this Lease, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent. The respective obligations of Landlord and Tenant shall not be 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, Tenant'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 Tenant has or might have against Landlord or by reason of any default or breach of any warranty by Landlord under this Lease or any other agreement between Landlord and Tenant, or to which Landlord and Tenant are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Landlord or any assignee or transferee of Landlord, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Tenant from any such obligations as a matter of law. Tenant 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 Tenant to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Tenant hereunder, except as otherwise specifically provided in this Lease. The obligations of Landlord and Tenant hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated 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 LAND AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LAND AND IMPROVEMENTS. Tenant acknowledges that the Landlord is the ground lessee of the Land, and that Tenant has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

Tenant, upon construction thereof, shall own the Hospital Improvements. Upon the expiration or earlier termination of this Lease, the Hospital Improvements shall be and become Landlord's property, provided Tenant or any other owner thereof, shall have the right to remove all equipment, furniture and other personal property from the Leased Property on or prior to the expiration or earlier termination of this Lease. Tenant shall repair any damage to the Leased Property and the Hospital Improvement occurring as a result of such removal.

6.2 TENANT'S PERSONAL PROPERTY. Tenant, at its expense, shall install, affix, assemble and place on the Land or in the Hospital Improvements, Tenant's Personal Property, which Tenant's Personal Property shall be subject to the security interests and liens as provided in Section 16.8 below. Tenant shall not, without the prior written consent of Landlord (which consent may be withheld in the event Tenant is in default hereunder), remove Tenant's Personal Property from the Leased Property. Tenant shall provide and maintain during the Term all such Tenant'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 Landlord as provided herein, all of Tenant's Personal Property not removed by Tenant within thirty (30) days following the expiration or earlier termination of this Lease shall be considered abandoned by Tenant and may be appropriated, sold, destroyed or otherwise disposed of by Landlord without first giving notice thereof to Tenant, without any payment to Tenant and without any obligation to Tenant to account therefor. Tenant, at its expense, will restore the Leased Property and repair all damage to

the Leased Property caused by the removal of Tenant's Personal Property, whether effected by Tenant or Landlord.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Tenant acknowledges receipt and delivery of possession of the Leased Property and that Tenant 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 satisfactory for its purpose hereunder and under the Construction Loan Agreement. Tenant is leasing the Leased Property "as is" in its present condition and as shall be improved pursuant to the Construction Loan Agreement. Tenant waives any claim or action against Landlord in respect of the condition of the Leased Property. LANDLORD 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 TENANT.

7.2 USE OF THE LEASED PROPERTY.

(a) Tenant covenants that it will timely construct the Hospital Improvements in accordance with the terms and provisions of the Construction Loan Agreement.

(b) Tenant covenants that it will apply for, obtain and maintain throughout the Term all approvals and licenses needed to use and operate the Leased Property and the Facility for the Primary Intended Use under applicable local, state and federal law, including but not limited to licensure approvals and Medicare and Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities and accreditation organizations, if any, that are necessary for the operation of the Facility as a general acute care hospital facility. Tenant acknowledges that the Land and the Northeast Parking Parcel are encumbered by the REA and agrees that Tenant will fully and completely comply with the terms of the REA in connection with the development and use of the Leased Property and the operation of the Facility.

(c) From and after the Completion of the Hospital Improvements and throughout the remainder of the Term, Tenant shall use or cause to be used the Leased Property and the Hospital Improvements as a general acute care hospital facility in accordance with the approval received from TDH and as currently defined in the healthcare industry and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Tenant shall not use the Leased Property, the Hospital Improvements or any portion thereof for any other use without the prior written consent of Landlord, which Tenant agrees may be withheld in Landlord's sole discretion. No use shall be made or permitted to be made of the Leased Property and/or the Hospital Improvements and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or the Hospital Improvements or any part thereof, nor shall Tenant sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property and/or the Hospital Improvements 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 under applicable fire underwriters regulations. Tenant, at its sole cost, shall comply with all 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, Tenant's Personal Property and the Hospital Improvements.

(d) Tenant covenants and agrees that during the Term Tenant will continuously operate the Leased Property and the Hospital Improvements

only as a provider of healthcare services in accordance with the Primary Intended Use and that Tenant shall maintain all required certifications for reimbursement and licensure and all accreditations.

(e) Tenant shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Tenant cause or permit any nuisance thereon.

(f) Tenant shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Landlord, the Hospital Improvements or Tenant's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Landlord's (or Tenant'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.

7.3 LANDLORD TO GRANT EASEMENTS. Landlord, from time to time so long as no Event of Default has occurred and is continuing, at the request of Tenant and at Tenant's cost and expense, but subject to the approval of Landlord, which approval shall not be unreasonably withheld, shall request the Land Owner to (a) grant easements and other rights in the nature of easements, (b) release existing easements or other rights in the nature of easements 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 Landlord and the Land Owner of an Officer's Certificate stating (and such other information as Landlord and the Land Owner 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 the value of the Leased Property and the Facility.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Tenant, 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 and the Hospital Improvements, whether or not compliance therewith shall require structural change in any of the Hospital Improvements or interfere with the use and enjoyment of the Leased Property or the Hospital Improvements, 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, the Facility and Tenant's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property and the Hospital Improvements or any part thereof, including without limitation, any Capital Additions. Upon Landlord's request, Tenant shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Tenant covenants and agrees that the Leased Property, the Hospital Improvements and Tenant's Personal Property shall not be used for any unlawful purpose. Tenant shall acquire and maintain and shall use its best efforts

to have Lessees acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property and the Hospital Improvements in a manner

customary for the industry of the Primary Intended Use and any other use conducted on the Leased Property and the Hospital Improvements as may be permitted from time to time hereunder. Tenant further covenants and agrees that Tenant's use of the Leased Property and the Hospital Improvements and 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.

(a) During the Term, Tenant (i) shall comply, and cause the Leased Property and the Hospital Improvements to comply, with all Hazardous Materials Laws applicable to the Leased Property and the Hospital Improvements (including the making of all submissions to governmental authorities required by Hazardous Materials Laws and the carrying out of any remediation program specified by such authority), (ii) shall prohibit the use of the Leased Property and the Hospital Improvements for the generation, manufacture, refinement, production, or processing of any Hazardous Material or for the storage, handling, transfer or transportation of any Hazardous Material (other than in compliance with the Hazardous Materials Laws and in commercially reasonable quantities in connection with the operation, business and maintenance of the Leased Property and the Hospital Improvements as a hospital facility and/or as a consumer or supplier of consumer products), (iii) shall not permit to remain, install or permit the installation on the Leased Property or the Hospital Improvements of any surface impoundments, underground storage tanks, transformers containing polychlorinated biphenyl or asbestos-containing materials, and (iv) shall cause any improvements to or alterations of the Leased Property and the Hospital Improvements to comply with the Hazardous Materials Laws, and in connection with any such improvements or alterations shall remove any Hazardous Materials present upon the Leased Property or the Hospital Improvements which are not in compliance with Hazardous Materials Laws.

(b) Tenant agrees to protect, defend, indemnify and hold harmless Landlord, its directors, officers, members, partners, employees and agents, and any successors and assigns of Landlord from and against any and all liability, including all foreseeable and all unforeseeable damages including but not limited to attorneys' and consultants' fees, fines, penalties and civil or criminal damages, directly or indirectly arising out of the use, generation, storage, treatment, release, threatened release, discharge, spill, presence or disposal of Hazardous Materials from, on, at, to or under the Leased Property or the Hospital Improvements during the Term (collectively, "Release"), and including, without limitation, the cost of any required or necessary repair, response action, remediation, investigation, cleanup or detoxification and the preparation of any closure or other required plans arising out of or relating to any such Release. This agreement to indemnify and hold harmless shall be in addition to any other obligations or liabilities Tenant may have to Landlord at common law under all statutes and ordinances or otherwise, and shall survive following the date of expiration or earlier termination of this Lease. Tenant expressly agrees that the representations, warranties and covenants made

and the indemnities stated in this Lease are not personal to Landlord, and the benefits under this Lease may be assigned to subsequent parties in interest to the chain of title to the Leased Property and/or the Hospital Improvements, which subsequent parties in interest may proceed directly against Tenant to recover pursuant to this Lease.

(c) Tenant shall promptly notify Landlord in writing, upon Tenant's learning, of any:

(i) notice or claim to the effect that Tenant is or may be liable to any person as a result of the release or threatened release of any Hazardous Material into the environment from the Leased Property or the Hospital Improvements;

(ii) notice that Tenant is subject to investigation by any governmental authority evaluating whether any remedial action is needed to respond to the release or threatened release of any

Hazardous Material into the environment from the Leased Property or the Hospital Improvements;

(iii) notice that the Leased Property and/or the Hospital Improvements is subject to any environmental lien; and

(iv) notice of violation to Tenant or awareness by Tenant of a condition which might reasonably result in a notice of violation of any applicable Hazardous Material Law that could have a material adverse effect upon the Leased Property and/or the Hospital Improvements.

(d) Tenant shall maintain a "best practices" protocol for disposal of medical waste and upon request Tenant shall provide all evidence thereof which Landlord may require.

8.4 HEALTHCARE LAWS. Tenant warrants and represents that this Lease and all Secondary Leases are, and at all times during the Term will be, in compliance with all Healthcare Laws. Tenant agrees to add a provision or provisions to all of its third party agreements relating to the Leased Property and/or the Facility, including, without limitation, all Secondary Leases, that in the event it is determined that such agreement and/or sublease is in violation of the Healthcare Laws, such agreement and/or sublease shall be promptly renegotiated so that same are in compliance with all Healthcare Laws and if the parties to such agreement or sublease cannot agree on the modifications thereto, Tenant immediately shall terminate such agreement or sublease. Tenant agrees promptly to notify Landlord in writing upon learning of or upon receipt of any notice of investigation of any alleged Healthcare Law violations. Tenant hereby agrees to indemnify and defend, at its sole cost and expense, and hold harmless Landlord, its successors and assigns, from and against and to reimburse Landlord 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 Landlord at any time and from time to time by reason or arising out of any breach by Tenant of any of the above covenants, representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES. Tenant represents and warrants to the Landlord as of the date hereof as follows:

(a) Tenant is a limited partnership, duly organized and validly existing under the laws of the State of Texas.

(b) Tenant is duly authorized to enter into, deliver and perform this Lease and the Lease constitutes the valid and binding obligation of Tenant, enforceable in accordance with its terms.

(c) Neither the entering into of this Lease nor the performance by Tenant of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon Tenant.

(d) 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.

(e) There are no actions, suits or proceedings pending against or, to the knowledge of Tenant, its shareholders, directors, officers, employees and agents, threatened against or affecting Tenant or any Affiliate, 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 Tenant or the ability of Tenant to perform its obligations under this Lease or the other documents referred to herein.

(f) Tenant and its Affiliates are in compliance with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

(g) Tenant will use its best and good faith efforts to obtain all certificates of need, and other licenses and agreements required by the Healthcare Laws within sixty (60) days subsequent to the Completion Date.

8.6 SINGLE PURPOSE ENTITY. Tenant is, at the time of the execution of this Lease, and shall remain at all times during the Term, a Single Purpose Entity created and to remain in good standing for the sole purpose of leasing the Leased Property, constructing the Hospital Improvements and operating the Facility in accordance with the terms of this Lease. Simultaneously with the execution of this Lease, and as requested by Landlord at other times during the Term, Tenant shall provide Landlord evidence that Tenant is a Single Purpose Entity and is in good standing in the state of its organization and in the State.

8.7 ORGANIZATIONAL DOCUMENTS. Tenant shall not permit or suffer, without the prior written consent of Landlord (i) an amendment or modification of its Organizational Documents or the organizational documents of any constituent entity within Tenant, (ii) a change in the ownership or controlling interest in the general partner of Tenant, (iii) change in the ownership of more than twenty percent (20%) of the limited partnership

interest in Tenant, (iv) any dissolution or termination of its existence, or (v) change in its state of formation or incorporation or its name. Tenant, prior to or simultaneously with the execution of this Lease, has delivered to Landlord a true and complete copy of the articles of incorporation and by-laws, articles of organization/certificate of formation and limited liability company operating agreement or certificate of limited partnership and partnership agreement, as the case may be, creating Tenant, and all other documents creating and governing Tenant (collectively, the "Organizational Documents"). Tenant 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 shareholders, partners, or members of Tenant, 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.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Tenant, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto, the Hospital Improvements and Tenant's Personal Property in good first class order and repair (whether or not the need for such repairs occurs as a result of Tenant'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 (concealed or otherwise). All repairs, to the extent reasonably achievable, shall be at least equivalent in quality to the original work. Tenant 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, the Hospital Improvements or any part thereof for the Primary Intended Use. Tenant shall notify the Landlord of any and all repairs or improvements made to the Leased Property or the Hospital Improvements in excess of Fifty Thousand and 00/100 Dollars ($50,000.00).

(b) Landlord 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 or the Hospital Improvements, 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 or the Hospital Improvements in any way.

(c) Nothing contained in this Lease and no action or inaction by Landlord shall be construed as (i) constituting the consent or request of Landlord, 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 the Hospital Improvements or any part thereof, or (ii) giving Tenant 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 Landlord 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 Landlord in the Leased Property or any portion thereof.

(d) Unless Landlord shall convey any of the Leased Property to Tenant pursuant to the provisions of this Lease, Tenant, upon the expiration or prior termination of the Term, will vacate and surrender the Leased Property and the Hospital Improvements to Landlord in the condition in which the Leased Property was originally received from Landlord, except as improved, constructed, 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 Tenant to maintain the Leased Property and the Hospital Improvements in good order and repair during the Term), damage caused by the gross negligence or willful acts of Landlord and damage or destruction described in Article XIV or resulting from a Taking which Tenant is not required by the terms of this Lease to repair or restore.

(e) Commencing on the Completion of construction of the Building, and on each January 1 thereafter, Tenant shall make annual deposits to a capital improvement reserve (the "Capital Improvement Reserve") at a financial institution of the Landlord's choosing. Such account shall require the signature of an officer of Tenant and Landlord to make withdrawals. The first annual deposit shall be equal to the product of Two Thousand Five Hundred and 00/100 Dollars ($2,500.00) times the number of beds in the Facility (the number of beds to be determined by the actual number of beds certified to be available for use in the Facility). On each January 1 thereafter during the Term, the Two Thousand Five Hundred and 00/100 Dollars ($2,500.00) amount shall be increased by two and one-half percent (2.5%) per annum cumulative. Notwithstanding anything contained herein to the contrary, Tenant shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as needed to undertake the required Capital Improvement. The amount in the Capital Improvement Reserve, including interest, may be used by Tenant with Landlord's approval, which such approval will not be unreasonably withheld, or by Landlord with Tenant's approval, which such approval will not be unreasonably withheld, to pay for capital improvements to the repair and replacement of the Leased Property and/or the Hospital Improvements. Tenant hereby grants to Landlord a security interest in all monies deposited into the Capital Improvement Reserve and Tenant, within fifteen (15) days subsequent to the Commencement Date, shall execute all documents necessary for Landlord to perfect its security interest in the Capital Improvement Reserve. Landlord and Tenant agree that the

first dollars of all capital expenditures made in each year during the Term shall be funded from the Capital Improvement Reserve account to the full extent of such account.

9.2 ENCROACHMENTS; RESTRICTIONS. If any of the Hospital 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, lawful restrictive covenant or other agreement affecting the Leased Property, or

any part thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Landlord, Tenant 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 Landlord or Tenant or (b) make such changes in the Hospital Improvements, and take such other actions, as Landlord 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 Hospital 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 for the Primary Intended Use substantially in the manner and to the extent the Facility was operated prior to the assertion of such violation or encroachment. Any such alteration shall be made in conformity with the applicable requirements of Article X. Tenant'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 Tenant shall be entitled to a credit for any sums recovered by Landlord under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) (i) After the completion of the construction of the Hospital Improvements, if no Event of Default shall have occurred and be continuing under this Lease and the Secondary Leases, Tenant, except as expressly provided in this Article X to the contrary, 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 Landlord, provided, however, except as expressly provided in Section 10.2(d) hereof, Tenant shall not be permitted to create any Encumbrance on the Leased Property or the Hospital Improvements in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Tenant, at Tenant's sole cost and expense, shall (i) submit to Landlord in writing a proposal setting forth in reasonable detail any proposed Capital Addition and shall provide to Landlord such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Landlord may reasonably request, and (ii) 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.

(ii) NO CAPITAL ADDITION SHALL BE MADE WITHOUT THE PRIOR WRITTEN CONSENT OF LANDLORD, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED, (a) IF THE CAPITAL ADDITION COST OF SUCH PROPOSED CAPITAL ADDITION, WHEN AGGREGATED WITH THE COSTS OF ALL CAPITAL ADDITIONS MADE BY TENANT, 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, OR (b) WHICH WOULD TIE IN OR CONNECT ANY HOSPITAL IMPROVEMENTS WITH ANY OTHER IMPROVEMENTS ON PROPERTY ADJACENT TO THE LEASED PROPERTY, INCLUDING WITHOUT LIMITATION, TIE-INS OF BUILDINGS OR OTHER STRUCTURES OF UTILITIES. ALL CAPITAL ADDITION SHALL BE ARCHITECTURALLY INTEGRATED AND CONSISTENT WITH THE LEASED PROPERTY.

(iii) LANDLORD ACKNOWLEDGES THAT TENANT INTENDS TO EXPAND THE HOSPITAL IMPROVEMENTS IN THE FOLLOWING MANNER (THE "EXPANSION IMPROVEMENTS"):

1. The opening of the fourth (4th) floor of the Building from a shell to an active condition to add twenty-four (24) more beds in the second (2nd) year

subsequent to the Commencement Date;

2. Construction of a fifth (5th) floor and sixth (6th) floor to the Building to add forty-eight (48) additional beds in the third (3rd) year subsequent to the Commencement Date;

3. Construction of four (4) additional operating rooms and a fifty percent (50%) expansion of the square footage of the emergency room in the third (3rd) year subsequent to the Commencement Date;

4. Construction of deck parking in the fourth (4th) year subsequent to the Commencement Date (such decked parking to be the replacement parking for the parking area located on the Northeast Parking Parcel);

5. Construction of additional improvements of a square footage required to increase total bed capacity of the Facility to between one hundred eighty (180) and two hundred (200) beds in the fifth year subsequent to the Commencement Date; and

6. Construction of a connection between the ground floor of the Building and the professional office building which an affiliate of Tenant intends to construct on a tract located adjacent to and southwest of the Land.

Landlord agrees that it will approve the Expansion Improvements without regard to the conditions set forth in Section 10.1(a)(iii) upon satisfaction of the following conditions:

(i) Landlord shall have received, reviewed and approved all plans and specifications for the Expansion Improvement, including without limitation, architectural, engineering and landscaping plans;

(ii) Tenant shall deliver to Landlord a copy of all permits necessary or required to construct and operate the Expansion Improvement, including without limitation, building permit, certificate of need, and state license survey; and

(iii) Landlord shall determine, in its reasonable discretion, that the Expansion Improvement will not result in a diminution in the value of the Leased Property.

(b) Prior to commencing construction of any Capital Addition for which Tenant plans to borrow funds, Tenant shall first request Landlord to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Landlord declines or is unable to provide such financing on terms acceptable to Tenant, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Addition shall be made without the consent of Landlord, 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 Tenant, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property and the Hospital Improvements or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Hospital Improvements with any other improvements on property adjacent to the Leased Property, including, without limitation, tie-ins of buildings or other structures or utilities, unless Tenant shall have obtained the prior written approval of Landlord, which approval in Landlord's sole discretion may be granted or withheld. All Capital Additions shall be architecturally integrated and consistent with the Hospital Improvements.

10.2 CAPITAL ADDITIONS FINANCED BY TENANT. If Tenant provides or arranges to finance any Capital Addition, the following provisions shall be applicable:

(a) There shall be no adjustment in the Base Rent by reason of any such Capital Addition.

(b) Upon the expiration or earlier termination of this Lease, except by reason of the default by Tenant hereunder, Landlord shall compensate Tenant for each Capital Addition paid for or financed by Tenant in one of the following ways, determined in the sole discretion of Landlord:

(i) By purchasing all Capital Additions paid for by Tenant from Tenant for cash in the amount of the Fair Market Added Value of all such Capital Additions paid for or financed by Tenant; or

(ii) By purchasing all Capital Additions paid for by Tenant from Tenant by delivering to Tenant Landlord's purchase money promissory note in the amount of the 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 Landlord and Tenant.

(c) Landlord and Tenant agree that Tenant's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon Tenant's leasehold interest created hereunder and the Hospital Improvements provided such mortgage (i) shall be in an amount not to exceed the cost of the Capital Additions, (ii) shall be subordinate to this Lease and Landlord's rights herein, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Tenant's interest in the Leased Property and the Hospital Improvements.

10.3 CAPITAL ADDITIONS FINANCED BY LANDLORD.

(a) Tenant shall request that Landlord provide or arrange financing for a Capital Addition by providing to Landlord such information about the Capital Addition (a "Request") as Landlord may request, including without limitation, all information referred to in Section 10.1 above. Landlord may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days subsequent to receipt of a Request, Landlord shall notify Tenant as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it will 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. Tenant may withdraw its Request by notice to Landlord at any time before or after receipt of Landlord's terms and conditions.

(b) If Landlord agrees to finance the proposed Capital Addition, Tenant shall provide Landlord with the following prior to any advance of funds:

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans and other certificates, licenses, permits or documents requested by either Landlord or any lender with whom Landlord has agreed or may agree to provide financing which are necessary to confirm that Tenant 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 Tenant's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Landlord, 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 in an amount at least equal to the principal and interest on the debt incurred by Landlord to finance the Capital Addition;

(v) a deed conveying title to Landlord or an amendment to the Hospital Tract Ground Lease adding to the premises demises thereunder any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Landlord and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Landlord;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in Section 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in Section 10.3(b)(v) above, satisfactory in form and substance to Landlord (A) updating the same without any additional exceptions, except as may be permitted by Landlord; 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 Landlord, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Landlord pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Landlord and (B) a lender's policy of title insurance satisfactory in form and substance to Landlord and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Landlord, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property and the Hospital Improvements indicating that the Fair Market Value of the Leased Property and the Hospital Improvements upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property and the Hospital Improvements prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition Cost; 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, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the Board of Directors of Tenant authorizing the execution

and delivery of the lease amendment described above and any other instruments as may be reasonably required by Landlord and any Lending Institution advancing or reimbursing Tenant for any portion of the Capital Addition Cost.

(c) Upon making a Request, whether or not such financing is actually consummated, Tenant shall pay or agree to pay, upon demand, all reasonable costs and expenses of Landlord 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. transfer taxes, intangible taxes, and other similar charges, 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.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Article IX, Tenant shall have the right and the obligation to make additions, modifications or improvements to the Leased Property and the Hospital Improvements which are not Capital Additions ("Non-Capital Additions") from time to time as it, in its discretion, may deem to be desirable for the Primary Intended Use and to permit the Tenant to comply fully with its obligations set forth in this Lease, provided that 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 Tenant to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Landlord at any time, be included under the terms of this Lease and, upon expiration or earlier termination of this Lease, shall pass to and become the property of Landlord.

ARTICLE XI

LIENS

11.1 LIENS. Subject to the provisions of Article XII relating to permitted contests, Tenant 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, the Hospital Improvements 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 C, (c) restrictions, liens and other encumbrances which are consented to in writing by Landlord, or any easements granted pursuant to the provisions of Section 7.3, (d) liens for those taxes of Landlord which Tenant 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 GAAP 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 Landlord pursuant to the provisions of Article XXIX of this Lease. Unless otherwise expressly provided herein, Tenant shall not mortgage or grant any interest in, or otherwise assign, any part of the Tenant's rights and interests in this Lease, the Leased Property, the Hospital Improvements or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Facility during the Term without the prior written consent of the Landlord, which may be withheld at Landlord's sole discretion; provided nothing in this sentence shall prohibit or be deemed to prohibit the sale of additional limited partnership interest in Tenant as allowed under this Lease.

ARTICLE XII

PERMITTED CONTESTS

12.1 PERMITTED CONTESTS. Tenant, on its own or on Landlord's behalf (or in

Landlord's name), but at Tenant's expense, 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 Landlord and from the Leased Property and the Hospital Improvements, (b) neither the Leased Property, the Hospital Improvements nor any Rent 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, Landlord 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 and 00/100 Dollars ($50,000.00), then, in any such event, (i) provided the Consolidated Net Worth of Tenant is then in excess of Fifty Million Dollars and 00/100 Dollars ($50,000,000.00), Tenant shall deliver to Landlord 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 Consolidated Net Worth of Tenant is not then in excess of Fifty Million Dollars and 00/100 Dollars ($50,000,000.00), then Tenant shall deliver to Landlord and its counsel an opinion of Tenant'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, Tenant shall give such reasonable security as may be demanded by Landlord to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property, the Hospital Improvements 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 Tenant to contest the payment of Rent or any other sums payable by Tenant to Landlord 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 Landlord or Tenant, Tenant 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. Landlord, at Tenant's expense, shall execute and deliver to Tenant such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Tenant or if Landlord so desires, Landlord shall join as a party therein. Tenant shall indemnify and save Landlord harmless against any liability, cost or expense of any kind that may be imposed upon Landlord in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term, Tenant shall at all times keep the Leased Property, the Hospital Improvements (once constructed) and all property located in or on the Leased Property and in the Hospital Improvements, including Tenant's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, Tenant shall obtain and maintain in effect throughout the Term, the kinds and amounts of insurance deemed necessary by Landlord, including the insurance described below. All insurance shall be written by insurance companies (i) acceptable to Landlord, (ii) that are rated at least an "A-VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better, and (iii) authorized, licensed and qualified to do insurance business in the State. The aggregate amount of coverage by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Landlord (and any other entities as Landlord may deem necessary) and Land Owner as an additional insured and losses shall be payable to Landlord and/or Tenant 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 Landlord, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Landlord, (iii) permit Landlord to pay premiums at Landlord's discretion, and (iv) as respects any third party liability claim brought against Landlord, obligate the insurer to defend Landlord as an additional insured thereunder. In addition, the policies shall name as an additional insured the holder ("Facility Mortgagee") of any mortgage, deed of trust or other security agreement securing any Encumbrance placed on the Leased Property or the Hospital Improvements in accordance with the provisions of this Lease ("Facility Mortgage"), if any, by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Landlord and each affected Facility Mortgagee. Evidence of insurance and/or Impositions shall be deposited with Landlord and, if requested, with any Facility Mortgagee(s). If any provision of any Facility Mortgage which constitutes a first lien on the Leased Property or the Hospital Improvements requires deposits of insurance to be made with such Facility Mortgagee, Tenant shall either pay to Landlord monthly the amounts required and Landlord shall

transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Landlord, Tenant shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property and the Hospital Improvements, the Fixtures and Tenant's Personal Property, shall insure against the following risks:

(a) All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Hospital Improvements. The policy shall include coverage for subsidence. The deductible amount thereunder shall be borne by the Tenant in the event of a loss and the deductible must not exceed Ten Thousand and 00/100 Dollars ($10,000.00) per occurrence. Further, in the event of a loss, Tenant shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and Tenant further agrees that it will notify Landlord of any loss in the amount of Twenty Five Thousand and 00/100 Dollars ($25,000.00) or greater and that no claim at or in excess of Twenty Five Thousand and 00/100 Dollars ($25,000.00) thereunder shall be settled without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed by Landlord.

(b) Flood and earthquake insurance shall be required only in the event that the Hospital Improvements is located in a flood plain or earthquake zone.

(c) Insurance against loss of earnings in an amount sufficient to cover not less than twelve (12) months' lost earnings and written in an "all risks" form, either as an endorsement to the insurance required under Section 13.1(a) above, or under a separate policy.

(d) Worker's compensation insurance covering all employees in amounts that are customary for Tenant's industry.

(e) Commercial General Liability in a primary amount of at least Five Million and 00/100 Dollars ($5,000,000.00) per occurrence, bodily injury for injury or death of any one person and One Hundred Thousand and 00/100 Dollars ($100,000.00) for property damage for damage to or loss of property of others, subject to a Ten Million and 00/100 Dollars ($10,000,000.00) annual aggregate policy limit for all bodily injury and property damage claims, occurring on or about the Leased Property or the Hospital Improvements or in any way related to the Leased Property or the Hospital Improvements, including but not limited to, any swimming pools or other rehabilitation and recreational facilities or areas that are located on the Leased Property or otherwise related to the Leased Property or the Hospital Improvements. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form Contractual

Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability (if applicable).

(f) Automobile and vehicle liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of One Million and 00/100 Dollars ($1,000,000.00) per occurrence for bodily injury; One Hundred Thousand and 00/100 Dollars ($100,000.00) per occurrence for property damage; subject to an annual aggregate policy limit of One Million and 00/100 Dollars ($1,000,000.00).

(g) Umbrella liability insurance in the minimum amount of Ten Million and 00/100 Dollars ($10,000,000.00) for each occurrence and aggregate combined single limit for all liability, with a Ten Thousand and 00/100 Dollars ($10,000.00) self-insured retention for exposure not covered in underlying primary policies. The umbrella liability policy shall name in its underlying schedule the policies of commercial general liability, garage keepers liability, automobile/vehicle liability and employer's liability under the Worker's Compensation Policy.

(h) Professional liability insurance for any physician employed by Tenant or other employee or agent of Tenant providing services at the Facility in an amount not less than Five Million and 00/100 Dollars ($5,000,000.00) per individual claim and Ten Million and 00/100 Dollars ($10,000,000.00) annual aggregate.

(i) A commercial blanket bond covering all employees of the Tenant, including its officers and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least One Million and 00/100 Dollars ($1,000,000.00) subject to a deductible of no more than Ten Thousand and 00/100 Dollars ($10,000.00) per occurrence.

The term "Full Replacement Cost" as used herein, shall mean the actual replacement cost thereof from time to time, including increased cost of construction endorsement, less exclusions provided in the normal fire insurance policy. In the event either Landlord or Tenant believes that the Full Replacement Cost has increased or decreased at any time during the Term, it shall have the right to have such Full Replacement Cost re-determined by the fire insurance company which is then providing the largest amount of fire insurance carried on the Leased Property and the Hospital Improvement, hereinafter referred to as the "impartial appraiser". The party desiring to have the Full Replacement Cost so re-determined shall forthwith, on receipt of such determination by such impartial appraiser, give written notice thereof to the other party hereto. The determination of such impartial appraiser shall be final and binding on the parties hereto, and Tenant shall forthwith increase, or may decrease, the amount of the insurance carried pursuant to this Article, as the case may be, to the amount so determined by the impartial appraiser. Tenant shall pay the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Tenant shall maintain such additional insurance as may be required from time to time by any Facility Mortgagee and shall further at all times maintain adequate worker's compensation insurance coverage for all persons employed by Tenant at the Facility, in accordance with the requirements of applicable local, state and federal law.

13.3 INSURANCE DURING CONSTRUCTION PERIOD. During the Construction Period, Tenant shall maintain or cause to be maintained all insurance required under the Construction Loan Agreement and Landlord and Land Owner shall be named as an additional insured with respect to such insurance.

13.4 WAIVER OF SUBROGATION. All insurance policies carried by either party covering the Leased Property, the Fixtures, the Facility and/or Tenant'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 other party. The parties hereto agree that their policies will include such a waiver clause or endorsement so long as the same is obtainable without extra cost, and in the event of such an extra charge the other party, at its election, may pay the same, but shall not be obligated to do so.

13.5 FORM OF INSURANCE. All of the policies of insurance referred to in this Article XIII shall be written in form satisfactory to Landlord and by insurance companies satisfactory to Landlord. Tenant shall pay all of the premiums therefor, and shall deliver such original policies, or a certified copy thereof (which is certified in writing by a duly authorized agent for the insurance company as a "true and certified" copy of the policy), or in the case of a blanket policy, a copy of the original policy, to Landlord and Land Owner 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 Tenant 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 to Landlord and Land Owner at the times required, Landlord shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Landlord upon written demand therefor, and failure to repay the same shall constitute an Event of Default. Each insurer mentioned in this Article XIII shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Landlord, that it will give to Landlord sixty (60) days' prior written notice (at Landlord's notice address as specified in this Lease ("Landlord'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 Landlord. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Tenant 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 Landlord has received not less than sixty (60) days' prior written notice at Landlord's Notice Address, 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 Landlord at Landlord's Notice Address.

13.6 INCREASE IN LIMITS. In the event that Landlord shall at any time deem the limits of the personal injury, property damage or general public liability insurance then carried to be insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Article XIII.

If the parties shall be unable to agree thereon, the proper and reasonable limits for such insurance to be carried shall be determined by an impartial third party selected by the parties. Nothing herein shall permit the amount of insurance to be reduced below the amount or amounts required by any of the Facility Mortgages.

13.7 BLANKET POLICY. Notwithstanding anything to the contrary contained in this Article XIII, Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant provided that:

(a) Any such blanket policy or policies are acceptable to and have been approved by the Landlord;

(b) Any such blanket policy or policies shall not be changed, altered or modified without the prior written consent of the Landlord; and

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of sixty (60) days' written notice before the expiration or cancellation of such policies as required by Section 13.5) and shall provide for

deductibles in amounts acceptable to Landlord.

13.8 NO SEPARATE INSURANCE. Tenant shall not, on Tenant'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 XIII to be furnished by, or which may reasonably be required to be furnished by, Tenant, 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 Landlord and all Facility Mortgagees, 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. Tenant shall immediately notify Landlord 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, the Hospital Improvements or any portion thereof and insured under any policy of insurance required by Article XIII shall be paid to Landlord and held by Landlord in trust (subject to the provisions of Section 14.7) and shall be made available for reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, the Hospital Improvements or any portion thereof, and shall be paid out by Landlord 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 the Hospital Improvements, as applicable, (or in

the event neither Landlord nor Tenant is required or elects to repair and restore, all such insurance proceeds) shall be retained by Landlord 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 Landlord except that any salvage relating to Capital Additions paid for by Tenant or to Tenant's Personal Property shall belong to Tenant.

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 Hospital Improvements are totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Hospital Improvements is thereby rendered Unsuitable for its Primary Intended Use, Tenant shall have the option, by giving written notice to Landlord within sixty (60) days following the date of such destruction, to (i) restore the Hospital Improvements to substantially the same condition as existed immediately before the damage or destruction, or (ii) so long as Tenant is not in default, or no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under this Lease and the Secondary Leases, to purchase Landlord's interest in the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property and the Hospital Improvements immediately prior to such damage or destruction. In the event Landlord does not accept Tenant's offer to so purchase within thirty (30) days after Landlord's receipt of Tenant's notice, Tenant may, after giving Landlord thirty (30) days' prior written notice, either withdraw its offer to purchase and proceed to restore the Hospital Improvements to substantially the same condition as existed immediately before the damage or destruction or, terminate this Lease and, in the latter event, Landlord shall be entitled to retain the insurance proceeds, and Tenant shall pay to Landlord on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Hospital 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, Tenant shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Tenant cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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 Tenant is not in default, or no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under the terms of this Lease and the Secondary Leases, Tenant shall have the option to purchase Landlord's interest in the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property and the Hospital Improvements immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Landlord from the insurance required under Article XIII, Tenant 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 Tenant to Landlord (or a Facility Mortgagee if required) to be held in trust together with any other insurance proceeds for application to the cost of repair and restoration.

(d) In the event Landlord accepts Tenant's offer to purchase Landlord's interest in the Leased Property, this Lease shall terminate upon payment of the purchase price and Landlord shall remit to Tenant all insurance proceeds being held in trust by Landlord or the Facility Mortgagee if applicable.

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 Hospital Improvements are totally or materially destroyed from a risk not covered by the insurance described in Article XIII but that would have been covered if Tenant carried the insurance customarily maintained by, and generally available to, the operators of reputable health care facilities in the region in which the Facility is located, then whether or not such damage or destruction renders the Facility Unsuitable for its Primary Intended Use, Tenant shall restore the Hospital Improvements to substantially the same condition they were in immediately before such damage or destruction and this Lease shall not terminate or be terminated as a result of such damage or destruction. If such damage or destruction is not material, Tenant shall restore the Hospital Improvements at Tenant's expense.

14.4 TENANT'S PERSONAL PROPERTY. All insurance proceeds payable by reason of any loss of or damage to any of Tenant's Personal Property or Capital Additions financed by Tenant shall be paid to Landlord and Landlord shall hold such insurance proceeds in trust to pay the cost of repairing or replacing the damage to Tenant's Personal Property or the Capital Additions financed by Tenant.

14.5 RESTORATION OF TENANT'S PROPERTY. If Tenant is required or elects to restore the Hospital Improvements as provided in Sections 14.2 or 14.3, Tenant also shall restore all alterations and improvements made by Tenant, Tenant's Personal Property and all Capital Additions paid for by Tenant.

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Tenant's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated during any period required for repair and restoration.

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 Hospital Improvements 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 Landlord shall be entitled to retain the insurance proceeds and Tenant shall pay to

Landlord on demand the amount of any deductible or uninsured loss arising in connection therewith.

14.8 WAIVER. Tenant hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Hospital Improvements.

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 Landlord 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, the Hospital Improvements 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 and/or the Hospital Improvements by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuitable for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuitable for its Primary Intended Use, Tenant 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, so long as Tenant is not in default, or no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under the terms of this Lease and the Secondary Leases, or (b) to offer to acquire Landlord's interest in the Leased Property from Landlord for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property and the Hospital Improvements immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price. Tenant shall exercise its option by giving Landlord notice thereof within sixty (60)

days after Tenant receives notice of the Taking. In the event Landlord does not accept Tenant's offer to so purchase within thirty (30) days after receipt of the notice described in the preceding sentence, Tenant may either (a) withdraw its offer to purchase and proceed to restore the Facility, to the extent possible, to substantially the same condition as existed immediately before the partial Taking or (b) terminate this Lease by written notice to Landlord.

15.5 RESTORATION. If there is a partial Taking of the Leased Property and/or the Hospital Improvements and this Lease remains in full force and effect pursuant to Section 15.4, Tenant shall accomplish all necessary

restoration.

15.6 AWARD DISTRIBUTION. In the event Landlord accepts Tenant's offer to purchase Landlord's interest in the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Tenant provided no Event of Default is continuing and Landlord agrees to assign to Tenant all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Landlord, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Tenant 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 Tenant 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 Tenant under this Lease; and

(b) A sum attributable to Tenant's Personal Property and any reasonable removal and relocation costs included in the Award.

If Tenant is required or elects to restore the Facility, Landlord agrees that, subject to the rights of the Facility Mortgagees, 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.

15.7 TEMPORARY TAKING. The Taking of the Leased Property, the Hospital Improvements 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 six (6) months. During any such six (6) month 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.

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 hereunder:

(a) if Tenant shall fail to make a payment of Rent or any other monetary payment due and payable by Tenant under this Lease when the same becomes due and payable, or

(b) if Tenant shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Tenant within a period of thirty (30) days after receipt by Tenant of written notice thereof from Landlord (provided, however, in no event shall Landlord be required to give more than one (1) written notice per calendar year), 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 Tenant proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Tenant of Landlord's notice of default, or

(c) if Tenant 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 or any substantial part 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, or

(vi) admits in writing that Tenant cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Tenant's property is made for the benefit of creditors; or a receiver or trustee is appointed for Tenant or its property; or the interest of Tenant under this Lease is levied on under execution or other legal process; or any petition is filed by or against Tenant to declare Tenant bankrupt or to delay, reduce or modify Tenant's capital structure if Tenant be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Tenant shall constitute a breach of this Lease if Tenant 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

(d) if any License is terminated or if Tenant or the Facility is excluded from participation in Medicare, Medicaid or other governmental payor programs by a final adjudication, or

(e) except as a result of damage, destruction or a partial or complete Condemnation, the abandonment or vacation of the Leased Property and/or the Hospital Improvements by Tenant (Tenant's absence from the Leased Property and/or the Hospital Improvements for thirty (30) consecutive days shall constitute abandonment), or the failure by Tenant to continuously operate the Facility in accordance with the terms of this Lease, or

(f) if Tenant 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 Tenant, as the case may be, a receiver of Tenant or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Tenant 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

(g) if Tenant 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 Tenant into, or a sale of substantially all of Tenant's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Tenant's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Landlord, accompanied by an opinion of counsel, reasonably satisfactory to Landlord and addressed to Landlord 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, Tenant or such other corporation (if not the Tenant) surviving the same, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Tenant immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Landlord within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(h) if the estate or interest of Tenant in the Leased Property, the Hospital Improvements 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 Tenant of written notice thereof from Landlord (unless Tenant shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(i) if any of the representations or warranties made by Tenant 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 Landlord, or

(j) a default by Tenant as described in Section 16.2 below, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Landlord or any Affiliate of Landlord and Tenant or any Affiliate of Tenant, which is not cured within the cure period as provided therein, or

(l) a default by Tenant under the documents evidencing the Loan, or

(m) if Tenant causes or fails to prevent a payment default on any of its corporate debt or other leases or is declared to be in material default by any of its corporate lenders and such default is not cured within any applicable cure periods; or

(n) IF A DEFAULT OCCURS UNDER ANY OTHER LEASE BETWEEN TENANT AND ITS AFFILIATES AND LANDLORD AND ITS AFFILIATE AND SUCH DEFAULT IS NOT CURED WITHIN ANY APPLICABLE CURE PERIODS.

16.2 COVENANTS AND EVENTS OF DEFAULT. IN ADDITION TO THOSE MATTERS SET FORTH IN SECTION 16.1, THE OCCURRENCE OF ANY OF THE FOLLOWING EVENTS SHALL CONSTITUTE AN EVENT OF DEFAULT:

(a) If, based on a quarterly test, Tenant's Consolidated Net Worth (net of Approved Pre-Opening Expenses pursuant to Section 32.7) shall be less than the below stated amount in the applicable period:

Year	Consolidated Net Worth
2005	12,500,000
2006	11,000,000
2007	9,000,000
2008	9,000,000
2009	12,000,000
2010 and after	15,000,000

(b) If EBITDAR Total Fixed Charge Coverage shall be less than the amount calculated per applicable period as provided below:

	EBITDAR Testing Periods:	Calculation:
Year One:	- For Year One as Tested at the End of the 4th Quarter	0.5 times EBITDAR
Year Two:	- For Quarters 1, 2, and 3 (Tested Quarterly)	0.5 times EBITDAR
	- For Year Two as Tested at the End of the 4th Quarter	0.75 times EBITDAR
Year Three:	- For Quarters 1 and 2 (Tested Quarterly)	1.0 times EBITDAR
	- For Quarters 3 and 4 (Tested Quarterly)	1.2 times EBITDAR
Year Four: (and thereafter)	- Tested Quarterly	1.5 times EBITDAR

(c) If EBITDAR Lease Coverage shall be less than the amount calculated per applicable period as provided below:

	EBITDAR Testing Periods:	Calculation:
Year One:	- For Year One as Tested at the End of the 4th Quarter	0.6 times EBITDAR
Year Two:	- For Quarters 1, 2, and 3 (Tested Quarterly)	0.6 times EBITDAR
	- For Year Two as Tested at the End of the 4th Quarter	1.2 times EBITDAR
Year Three:	- For Quarters 1 and 2 (Tested Quarterly)	1.5 times EBITDAR
	- For Quarters 3 and 4 (Tested Quarterly)	1.8 times EBITDAR
Year Four: (and thereafter)	- Tested Quarterly	2.0 times EBITDAR

(d) Tenant, on a consolidated basis, shall experience six (6) consecutive quarters of falling net revenue, and EBITDAR (based on trailing twelve (12) months) shall be less than 1.5 times Tenant's Rent payments; or

(e) Tenant shall be in payment default on any of its corporate debt or other leases or be declared to be in material default by any of its corporate lenders, unless such default is cured within any applicable cure periods.

16.3 REMEDIES. If an Event of Default shall have occurred, Landlord, except as expressly provided to the contrary herein, 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, in equity or by other provisions of this Lease, without notice or demand.

(a) Without any notice or demand whatsoever, Landlord may take any one or more of the actions permissible at law to insure performance by Tenant of Tenant's covenants and obligations under this Lease. In this regard, it is agreed that if Tenant deserts or vacates the Leased Property and/or the Hospital Improvements, Landlord may enter upon and take possession of the Leased Property and the Hospital Improvements in order to protect it from deterioration and continue to demand from Tenant the monthly rentals and other charges provided in this Lease, without any obligation to relet; but that if Landlord does, at its sole discretion, elect to relet the Leased Property and/or the Hospital Improvements, such action by Landlord shall not be deemed as an acceptance of Tenant's surrender of the Leased Property and/or the Hospital Improvements unless Landlord expressly notifies Tenant of such acceptance in writing pursuant to subsection (b) of this Section 16.3, Tenant hereby acknowledging that Landlord shall otherwise be reletting as Tenant's agent and Tenant furthermore hereby agreeing to pay to Landlord on demand any deficiency that may arise between the monthly rentals and other charges provided in this Lease and that are actually collected by Landlord. It is further agreed in this regard that in the event of any default described in Section 16.1, Landlord shall have the right to enter upon the Leased Property and the Hospital Improvements by force, if necessary, without being liable for prosecution or any claim for damages therefor, and do

whatever Tenant is obligated to do under the terms of this Lease; and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action.

(b) Landlord may terminate this Lease by written notice to Tenant, in which event Tenant shall immediately surrender the Leased Property and the Hospital Improvements to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which Landlord may

have for possession or arrearages in Rent (including any late charge which may have accrued pursuant to Section 3.4), enter upon and take possession of the Leased Property and the Hospital Improvements and expel or remove Tenant and any other person who may be occupying the Leased Property and the Hospital Improvements or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Tenant hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of any termination effected pursuant to this subsection (b), said loss and damage to be determined, at Landlord's option, by either of the following alternative measures of damages:

(i) Until Landlord is able, although Landlord shall be under no obligation to attempt, to relet the Leased Property and lease the Hospital Improvements, Tenant shall pay to Landlord on or before the first day of each calendar month, the Rent and other charges provided in this Lease. After the Leased Property has been relet and the Hospital Improvements leased by Landlord, Tenant shall pay to Landlord on the tenth (10th) day of each calendar month the difference between the Rent and other charges provided in this Lease for the preceding calendar month and that actually collected by Landlord for such month. If it is necessary for Landlord to bring suit in order to collect any deficiency, Landlord 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 Landlord to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Landlord from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Tenant in reduction of Tenant's liability for any calendar month for which the amount collected by Landlord will be less than the monthly rentals and other charges provided in this Lease; but Tenant shall have no right to such excess other than the above-described credit.

(ii) When Landlord desires, Landlord may demand a final settlement. Upon demand for a final settlement, Landlord shall have a right to, and Tenant 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 and the Hospital Improvements 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 Landlord elects to exercise the remedy prescribed in subsection (a) above, this election shall in no way prejudice Landlord's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection (b) above. Similarly, if Landlord elects to compute damages in the manner prescribed by subsection (b)(i) above, this election shall in no way prejudice Landlord'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 Landlord 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.

(c) Landlord may require Tenant to cancel the Management Agreement and to replace the Management Company with a company of Landlord's choosing.

(d) Landlord, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make any payment or perform any act required to be made or performed under this Lease by Tenant for the account and at the expense of Tenant, and, to the extent permitted by law, may enter upon the Leased

Property and/or the Hospital Improvements for such purpose and take all such action thereon as, in Landlord's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord 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 Landlord, shall be paid by Tenant to Landlord on demand.

(e) In addition to other rights and remedies Landlord may have hereunder and at law and in equity, in the event Tenant defaults under this Lease, (i) Landlord shall have the right, but not the obligation or responsibility to hire all or some of the employees of Tenant, and Tenant hereby acknowledges that no non-compete or non-solicitation agreement is either implied or expressed hereunder relating to such employees; (ii) Tenant is deemed to have assigned to Landlord, at Landlord's sole option, all service agreements (including, without limitation, all medical director agreements); (iii) Tenant is deemed to have assigned and transferred to Landlord, at Landlord's sole option, all supplies and inventory used or usable in the operation of the Leased Property; and (iv) Tenant is deemed, at Landlord's sole discretion, to have transferred and assigned to Landlord all Licenses and agreements, including, without limitation, all Medicare and Medicaid provider numbers, or is hereby deemed, at Landlord's sole discretion, to agree to transfer to the Landlord all of the Licenses, including, without limitation, all Medicare and Medicaid provider numbers.

16.4 ADDITIONAL EXPENSES. Tenant shall compensate Landlord for (i) all administrative expenses, (ii) all expenses incurred by Landlord 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 Landlord 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) Landlord's reasonable attorneys' fees and expenses, (vi) all losses incurred by Landlord as a direct or indirect result of Tenant's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Landlord's administrative efforts, salaries and overhead attributable directly or indirectly to Tenant's default and Landlord's pursuing the rights and remedies provided herein and under applicable law.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.3, Tenant 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 Tenant which are received by Landlord under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Tenant's obligations in the order which Landlord may reasonably determine or as may be prescribed by the laws of the State.

16.7 NOTICES BY LANDLORD. 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 Tenant of the nature and approximate extent of any default, it being agreed that Tenant is in good or better position than Landlord to ascertain the exact extent of any default by Tenant hereunder.

16.8 LANDLORD'S CONTRACTUAL SECURITY INTEREST. Tenant hereby grants to Landlord an express first and prior contract lien and security interest, in Tenant's interest in all property which may be placed on the Leased Property and the Hospital Improvements (including fixtures, equipment,

chattels and merchandise), and also upon all proceeds of any insurance which may accrue to Tenant by reason of destruction of or damage to any such property and also upon all of Tenant's interest as Tenant and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property and the Hospital Improvements (in case of fixtures, equipment and chattels leased to Tenant which are placed on the Leased Property or the Hospital Improvements). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Landlord's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Landlord shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Tenant

presently, or which may hereafter be, situated in or about the Leased Property and/or the Hospital Improvements, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Tenant's business, such property shall not be removed without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord or to become due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an Event of Default Landlord, in addition to any other remedies provided herein, may enter upon the Leased Property and the Hospital Improvements and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated in or about the Leased Property and/or the Hospital Improvements, 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 Tenant 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 Landlord 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 Tenant 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 provision of this Section 16.8 shall be deemed to have been a public sale conducted in 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 Tenant or as otherwise required by law; Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the State, as well as any other state the laws of which Landlord may at any time consider to be applicable.

16.9 REMEDIES CUMULATIVE. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Landlord or Tenant 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 Landlord or Tenant of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Landlord or Tenant of any or all of such other rights, powers and remedies.

ARTICLE XVII

17.1 LANDLORD DEFAULT. The occurrence of any one or more of the following events (individually, a "Landlord Default") shall constitute a Landlord Default hereunder:

(a) if any of Landlord, Lender, MPT Operating Partnership L.P., or Medical Properties Trust, Inc. 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 or any substantial part 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;

provided, however, that no such inability, petition, assignment, receivership, or forced reorganization shall constitute a breach of this Lease if Landlord or its affiliates vigorously contest the same by appropriate proceedings and shall remove or vacate the same within ninety (90) days from the date of its creation, service or filing; or

(b) if any of Landlord, Lender, MPT Operating Partnership L.P., or Medical Properties Trust, Inc. 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 Landlord into, or a sale of substantially all of Landlord's assets to, another business entity; or

(c) if within sixty (60) days after the Completion Date the Landlord fails to acquire the Hospital Improvements in accordance with the terms of the Purchase Agreement; or

(d) if Tenant shall have declared Lender to be in default of any of its material covenants or obligations under the Loan, and such default shall continue beyond any applicable notice, cure or grace period, provided such default is not caused by or did not arise due to any default by Tenant under the Loan.

17.2 TENANT'S REMEDY. Upon the occurrence and during the continuance of a Landlord Default, Tenant will have the option to purchase all of Landlord's interest in the Land, the Ground Leases, and the Hospital Improvements for an amount equal to the sum of the then outstanding principal balance of the Loan plus any and all other sums expended by Landlord in connection with the transactions contemplated by this Lease, the Ground Leases and the Loan.

ARTICLE XVIII

HOLDING OVER

18.1 HOLDING OVER. If Tenant shall for any reason remain in possession of the Leased Property and the Hospital Improvements after the expiration of the Term or any earlier termination of the Term, such possession shall be as a tenancy at will during which time Tenant shall pay as rental each month, one and one-quarter times the aggregate of (a) one-twelfth of the

aggregate Base 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 Tenant pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Tenant 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 and the Hospital Improvements. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Lease.

ARTICLE XIX

RISK OF LOSS

19.1 RISK OF LOSS. During the Term, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property and the Hospital Improvements 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 Landlord and those claiming from, through or under Landlord) is assumed by Tenant and, Landlord shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Article XIX entitle Tenant to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XX

INDEMNIFICATION

20.1 INDEMNIFICATION. NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE, TENANT WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LANDLORD 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 LANDLORD BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERSONAL PROPERTY OCCURRING ON OR ABOUT THE LEASED PROPERTY, THE HOSPITAL

IMPROVEMENTS OR ADJOINING SIDEWALKS, INCLUDING WITHOUT LIMITATION ANY CLAIMS OF MALPRACTICE, (B) ANY USE, MISUSE, NO USE, CONDITION, MAINTENANCE OR REPAIR BY TENANT OF THE LEASED PROPERTY OR THE HOSPITAL IMPROVEMENTS, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF TENANT TO PAY PURSUANT TO APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF TENANT 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 OR THE HOSPITAL IMPROVEMENTS TO BE PERFORMED BY THE LANDLORD (TENANT) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY TENANT UNDER THIS SECTION SHALL BE PAID WITHIN THIRTY (30) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LANDLORD 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. TENANT, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LANDLORD OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS TENANT AND LANDLORD SEE FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LANDLORD AGAINST ITS OWN NEGLIGENCE OR OMISSIONS OR WILLFUL MISCONDUCT. TENANT'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION AND THE EXPIRATION OF THIS LEASE.

ARTICLE XXI

SUBLETTING; ASSIGNMENT AND SUBORDINATION

21.1 SUBLETTING; ASSIGNMENT AND SUBORDINATION. Tenant shall not assign the Lease or sublease the Leased Property or the Hospital Improvements or

engage any Management Company or allow any Lessees to engage any Management Company without Landlord's prior written consent. Tenant, if required by Landlord, shall assign all of Tenant's rights under the Management Agreement to Landlord. All Management Agreements entered into in connection with the Leased Property and/or the Hospital Improvements or any portion thereof shall expressly contain provisions acceptable to Landlord which (i) require an assignment of the Management Agreement to Landlord upon request by Landlord, (ii) confirm and warrant that all sums in excess of One Million Dollars ($1,000,000.00) per year which are due and payable under the Management Agreement are subordinate to this Lease, (iii) grant Landlord the right to terminate the Management Agreement (individually or collectively, if more than one (1) upon a default hereunder or upon a default under such applicable Management Agreement, (iv) require the Management Company to execute and deliver to Landlord within ten (10) days from Landlord's request an assignment and/or subordination agreement as required by Landlord and/or Landlord's lender providing financing to Landlord, in such form and content as is acceptable to Landlord and/or its lender. Tenant agrees to execute and

deliver (and/or require the tenants to execute and deliver, if applicable) an assignment and/or subordination agreement relating to the Management Agreement entered into in connection to the Leased Property and/or the Hospital Improvements, which assignment and/or subordination agreement shall be in such form and content as reasonably acceptable to the Landlord and/or any lender providing financing to Landlord, and shall be delivered to Landlord within ten (10) days from Landlord's request. Any sublease approved by Landlord shall be subordinate to this Lease and may be terminated or left in place by Landlord in the event of a termination of this Lease. Landlord shall not unreasonably withhold its consent to any other or further subletting or assignment; provided that (a) in the case of a subletting, the sublessee shall comply with the provisions of this Article XXI, (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 Tenant to be kept and performed and shall be and become jointly and severally liable with Tenant for the performance thereof, and the assignee has credit and operating characteristics equal or greater than that of Tenant, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Tenant and such sublessee or assignee, as the case may be, in form and substance satisfactory to Landlord, shall be delivered promptly to Landlord, and (d) in case of either an assignment or subletting, Tenant 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 covenants and conditions to be performed by Tenant hereunder. Notwithstanding anything contained herein to the contrary, Landlord and Tenant agree that all subleases, including, without limitation, all physician subleases (whether individually or physician groups) must provide (i) for a minimum lease term of sixty (60) months from the date that such sublessee or physician opens to the public for business; (ii) must be in compliance with all Legal Requirements and Healthcare Laws, including, without limitation, all Stark and Anti-Kickback rules and regulations and Landlord shall have the right, in its reasonable discretion, to review and approve/disapprove such compliance before consenting thereto; (iii) each sublessee and physician must sign a personal guaranty guaranteeing the full payment and performance under the sublease; (iv) must not violate the use restrictions as set forth in Section 7.2, and (v) must contain an express prohibition against leasehold financing by Tenant, sublessee and assignee. If conditions (i) through (iv) are not met, then Landlord's disapproval of any subleases not containing such terms and conditions shall be deemed reasonable.

21.2 ATTORNMENT. Tenant shall insert in each sublease permitted under Section 21.1 provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease and to the rights of Landlord hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Landlord's option, attorn to Landlord and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, (c) that sublessee shall from time to time upon request of Tenant or Landlord furnish within ten (10) days an estoppel certificate relating to the

sublease, and (d) in the event the sublessee receives a written notice from Landlord or Landlord's assignees, if any, stating that Tenant is in default under this Lease, the sublessee 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 Landlord or Landlord's assignees, if any, as the case may be, shall be credited against the amounts owing by Tenant under this Lease.

21.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Tenant shall not sublet the Leased Property or the Hospital Improvements on any basis such that the rental to be paid by the sublessee 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 (b) any other formula such that any portion of the sublease rental received by Landlord 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, Tenant shall not sublet any portion of the Leased Property or the Hospital Improvements for a term extending beyond the Fixed Term without the express consent of Landlord. In addition, all subleases shall comply with the Healthcare Laws. Landlord and Tenant acknowledge and agree that any subleases entered into relating to the Leased Property or the Hospital Improvements, whether or not approved by Landlord, shall not, without the prior written consent of Landlord, be deemed to be a direct lease between Landlord and any sublessee.

21.4 SUBORDINATION. Any sublease approved by Landlord shall be subordinate to this Lease and may be terminated or left in place by Landlord in the event of a termination of this Lease. Tenant hereby agrees that all payments and fees payable under the Management Agreements are subordinate to the payment of the obligations under this Lease and all other documents executed or to be executed in connection with the Purchase Agreement. Tenant agrees to execute and cause the Management Company to execute (and cause the tenants to execute, if applicable) a subordination agreement relating to the Management Agreements (and the Secondary Leases), which subordination agreement shall be in such form and content as is acceptable to Landlord.

ARTICLE XXII

OFFICER'S CERTIFICATES; FINANCIAL STATEMENTS; NOTICES AND OTHER CERTIFICATES

22.1 ESTOPPEL CERTIFICATE. From time to time, each party hereto, on or before the date specified in a request therefor made by the other party, which date shall not be earlier than ten (10) days from the making of such request, but not more than three (3) times per calendar year, shall execute, acknowledge and deliver to the other party a certificate evidencing whether or not (i) this Lease is in full force and effect; (ii) this Lease has been amended in any way; and (iii) there are any existing defaults on the part of either party hereunder, to the knowledge of such other party, and specifying the nature of such defaults, if any; (iv) stating the date to which rent and other amounts due hereunder, if any, have been paid; and (v) such other matters as may reasonably be requested by such party. Each certificate delivered pursuant to this Section 23.1 may be relied on by any prospective transferee of Landlord's or Tenant's interest hereunder and any lender of Landlord or Tenant.

22.2 FINANCIAL STATEMENTS. Subsequent to the Construction Period and thereafter throughout the Term, Tenant will furnish the following statements to Landlord, which must be in such form and detail as Landlord, from time to time, may reasonably request:

(a) within ninety (90) days after the end of Tenant's fiscal year, a copy of the Income Statements 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, Tenant 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 Tenant shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(b) within ninety (90) days after the end of Tenant's fiscal year, audited financial statements of Tenant and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Landlord, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with GAAP, and

(c) within forty-five (45) days after the end of each quarter, current financial statements of Tenant 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 Tenant, and

(d) 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 Tenant, and

(e) within ten (10) days subsequent to receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that the license and/or 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

(f) with reasonable promptness, such other information respecting the financial condition and affairs of Tenant as Landlord may reasonably request from time to time.

Landlord reserves the right to require such other financial information from Tenant at such other times as Landlord shall deem reasonably necessary.

22.3 NOTICES REGARDING LICENSES. Within ten (10) days of receipt, Tenant shall furnish to Landlord copies of any and all notices (regardless of form) from any and all licensing or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of the Facility, is being downgraded, revoked or suspended, or that action is pending or being considered to downgrade, revoke or suspend such Facility's license or certification.

ARTICLE XXIII

INSPECTIONS AND FEES

23.1 INSPECTION FEE. Tenant shall permit Landlord and its authorized representatives to inspect the Leased Property and the Hospital Improvements during usual business hours subject to any security, health, safety or confidentiality requirements of Tenant, any governmental agency, any Insurance Requirements relating to the Leased Property and the Hospital Improvements or imposed by law or applicable regulations. On the Commencement Date and thereafter on January 1st of each year during the Term, Tenant shall pay to Landlord an inspection fee to cover the cost of the physical inspection of the Leased Property and the Hospital Improvements. The amount payable for the inspection fee on the Commencement Date is Seven Thousand Five Hundred and 00/100 Dollars ($7,500.00) and the amount of such inspection fee shall be increased by an amount equal to two and one-half percent (2.5%) per annum on each January 1st.

ARTICLE XXIV

TRANSFERS BY LANDLORD

24.1 TRANSFER BY LANDLORD. Tenant understands that Landlord may sell its interest in the Leased Property in whole or in part. Tenant agrees that any purchaser of Landlord's interest in the Leased Property may exercise any and all rights of Landlord, as fully as if such purchaser was the original landlord hereunder; provided, however, such purchaser shall be subject to the same restrictions imposed upon Landlord hereunder. Landlord may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Tenant. If Landlord or any successor owner of Landlord's interest in the Leased Property shall convey such interest in the Leased Property, other than as security for a debt, and the purchaser of such interest in the Leased Property shall expressly assume all obligations of Landlord hereunder arising or accruing from and after the date of such conveyance or transfer, Landlord or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Landlord under this Lease arising or accruing from and after the date of such conveyance or other transfer as to Landlord's interest in the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXV

QUIET ENJOYMENT

25.1 QUIET ENJOYMENT. So long as Tenant 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, Tenant shall peaceably and quietly have, hold and enjoy the Leased Property for the Term, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Tenant. No failure by Landlord to comply with

the foregoing covenant shall give Tenant 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 Tenant hereunder. Notwithstanding the foregoing, Tenant shall have the right by separate and independent action to pursue any claim it may have against Landlord as a result of a breach by Landlord of the covenant of quiet enjoyment contained in this Article XXV.

ARTICLE XXVI

NOTICES

26.1 NOTICES. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Lease shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Tenant: North Cypress Medical Center Operating Company, Ltd.
6830 North Eldridge Parkway, Suite 406
Houston, Texas 77041

Attention: Robert A. Behar, M.D.
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to: Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attention: Frank T. Sossi, Esq.
Phone: (330) 253-5060
Fax: (330) 253-1977

Zimmerman, Axelrad, Meyer, Stern & Wise P.C.

3040 Post Oak Boulevard
Suite 1300
Houston, Texas 77056-6560
Attention: Leonard Meyer, Esq.
Phone: (713) 552-1234
Fax: (713) 963-0859

Vinson & Elkins
First City Tower, Suite 2300
1001 Fannin Street
Houston, Texas 77002-6760
Attention: Dennis C. Dunn, Esq.
Phone: (713) 758-3478
Fax: (713) 615-5047

(b) if to Landlord: MPT of North Cypress, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.,
Executive Vice President & General
Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to: Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

ARTICLE XXVII

APPRAISAL

27.1 APPRAISAL. In the event that it becomes necessary to determine the Fair Market Value of the Leased Property and the Hospital Improvements, Fair Market Value

Purchase Price or Fair Market Added Value 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. Landlord and Tenant agree that any appraisal of the Leased Property and the Hospital Improvements shall be without regard to the termination of this Lease and shall assume the Lease

is in place for a term of ninety-nine (99) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to Tenant's operations. Within ten (10) days after receipt of any such notice, Landlord (or Tenant, as the case may be) shall by notice to Tenant (or Landlord, 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 and the Hospital Improvements, to determine the Fair Market Value of the Leased Property and the Hospital Improvements, Fair Market Value Purchase Price or Fair Market Added Value 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 Tenant's or Landlord'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 of the Leased Property and the Hospital Improvements, 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 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 of the Leased Property and the Hospital Improvements, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Landlord or Tenant 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 of the Leased Property and the Hospital Improvements, 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 Landlord and Tenant as the Fair Market Value of the Leased Property and the Hospital Improvements, 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. Landlord and Tenant 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 XXVIII

FINANCING OF THE LEASED PROPERTY

28.1 FINANCING BY LANDLORD. Landlord agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon Landlord's interest in the Leased Property or any portion thereof, Landlord will use reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Tenant the same notice, if any, given to Landlord of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit

Tenant, after twenty (20) days prior written notice, to cure any such default on Landlord's behalf within any applicable cure period, in which event Landlord agrees to reimburse Tenant for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Tenant to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Tenant is requested by the holder of each such Encumbrance, to enter into an agreement with Tenant containing the provisions described in Article XXIX and (e) Landlord further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Tenant'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 XXIX hereof.

28.2 FINANCING BY TENANT.

(a) Landlord agrees that Tenant shall have the right to place one (1) or more deeds of trust, mortgages or similar security interests on all or any portion of Tenant's leasehold interest in the Leased Property and the Hospital Improvements in connection with the Loan; provided, however, and except as provided below Tenant shall have no right whatsoever to encumber Landlord's reversionary interest in the Premises and such security instrument shall encumber only Tenant's rights under this Lease and the leasehold estate created hereby. Notwithstanding any other provision of this Lease to the contrary, in the event Tenant shall obtain the Loan, Landlord, upon request by Tenant, shall subordinate this Lease and Landlord's interest therein and in the Leased Property to the Loan and shall timely execute any and all documents reasonably requested by the construction lender to evidence such subordination.

(b) In the event of a termination of this Lease prior to the expiration of the Term, for any reason other than Landlord's acquisition of the Hospital Improvements,

Landlord, within fifteen (15) days prior to the termination of the Lease, shall serve upon Lender written notice of such termination, together with a statement of any and all sums which would be due under the Lease as of the date of notice (but for the termination of the Lease) and a description of any and all events of default. Within thirty (30) days from its receipt of the notice of termination, Lender shall have the option to obtain a new lease for the Leased Property by providing Landlord with written notice of its desire to exercise such option. Upon Landlord's receipt of such notice, Landlord shall enter into a new lease for the Leased Property with Lender which shall:

(i) Commence as of the date of the termination of the Lease, and shall be effective for the remainder of the Term, and contain all of the terms and conditions that were set forth in the Lease, including, but not limited to, those pertaining to rental payments; and

(ii) Require the tenant under the new lease to cure any monetary events of default under the terminated Lease.

Landlord shall promptly take all actions necessary to evict Tenant or any other unauthorized party from the Leased Property and, subject to the rights of any sublessee, shall provide the tenant under the new lease with the sole and exclusive possession of the Leased Property upon execution of the new lease.

(c) For the benefit of Lender, Landlord agrees, subject nevertheless to all of the terms, covenants, agreements, provisions, conditions and limitations contained in this Lease, not to accept a voluntary surrender of this Lease at any time during which Lender shall hold an outstanding mortgage, deed of trust or other security interest. It is further understood and agreed that Landlord and Tenant shall not modify this Lease without the prior written consent of Lender and no sale of the Leased Property and the Hospital Improvements or any portion thereof to Tenant shall terminate this Lease by merger or otherwise so long as Lender holds an outstanding deed to secure debt, mortgage or other security interest

with respect to the portion of the Leased Property and the Hospital Improvements so sold. Landlord and Tenant hereby acknowledge and agree that Lender is an intended third party beneficiary of this Section 28.2.

ARTICLE XXIX

SUBORDINATION AND NON-DISTURBANCE

29.1 SUBORDINATION, NON-DISTURBANCE. At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Landlord upon Landlord's interest in the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within ten (10) days from the date of request, Tenant shall execute and deliver, and shall have all subtenants or sublessees of the Leased Property and the Hospital Improvements execute and deliver within such ten (10) day period, to such holders a written agreement in a form reasonably acceptable to such holder whereby Tenant and such subtenants and sublessees subordinate this Lease and all of their rights and estate hereunder to each such

mortgage or deed of trust that encumbers Landlord's interest in the Leased Property or any part thereof and agree with each such holder that Tenant and all such subtenants and sublessees will attorn to and recognize such holder 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 Landlord 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 holder simultaneously executes and delivers a written agreement (a) 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, Tenant and such subtenants and sublessees shall not be disturbed in peaceful enjoyment of the Leased Property, the Hospital Improvements or the subleased property (as applicable) nor shall this Lease (nor the applicable subleases) be terminated or canceled at any time, except in the event Tenant or such applicable subtenant or sublessee is in default under this Lease, or the applicable subleases; (b) agreeing that for any period while it is Landlord hereunder, it will perform, fulfill and observe all of Landlord's representations, warranties and agreements set forth herein; and (c) agreeing, unless otherwise expressly provided in the mortgage or deed of trust, that all proceeds of the casualty insurance described in Article XIV of this Lease and all Awards described in Article XV will be made available for restoration of the Leased Property and the Hospital Improvements as and to the extent required by this Lease, subject only to reasonable regulation regarding the disbursement and application thereof.

ARTICLE XXX

LICENSES

30.1 MAINTAINING LICENSES. Tenant shall maintain at all times during the Term 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 necessary for 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.

30.2 TRANSFERS. Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's 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 Tenant have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Landlord as contemplated herein), whether before, during or after the Term. Following the termination of this Lease, Tenant shall retain no rights whatsoever to the Licenses, and Tenant will not move or attempt to move the Licenses to

any other location. To the extent that Tenant has or will extend any right, title, or claim of right whatsoever in and to the Licenses or the right to operate the Facility, all such right, title, or claim of right shall automatically revert to the Landlord or to Landlord's designee upon termination of

this Lease, to the extent allowed by law. Upon any termination of this Lease or any Event of Default (which Event of Default is not cured within any applicable grace period and which results in Landlord terminating this Lease), Landlord shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Landlord's name or in the name of Landlord's designee upon application therefor to the issuing authority, and to further have the right to have any and all provider and/or third party payor agreements as a provider in the Medicare and/or Medicaid and other federal healthcare programs issued in Landlord's name or in the name of Landlord's designee.

30.3 COOPERATION. Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Tenant shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Landlord or any new Tenant or operator selected by Landlord, it being understood and agreed that such cooperation shall include, without limitation, (a) Tenant's assignment, if and to the extent allowed by law, to Landlord or Landlord's new Tenant or operator of any and all Licenses, (b) Tenant's use of best efforts to maintain, to the maximum extent allowed by applicable law, the effectiveness of any and all such Licenses until such time as any new Licenses necessary for any new lessee or operator to operate the Facility have been issued, and (c) the taking of such other actions as are required by applicable law or as are reasonably requested by Landlord. Upon any termination of this Lease or Event of Default (which Event of Default is not cured within any applicable grace period and which results in Landlord terminating this Lease), Landlord shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Landlord's name or in the name of Landlord's designee upon application therefor to the appropriate authority, if required, and to further have the right to have any and all Medicare and Medicaid and any other provider and/or third party payor agreements issued in Landlord's name or in the name of Landlord's designee. The provisions of this Article XXX are in addition to the other provisions of this Lease.

30.4 NO ENCUMBRANCE. It is an integral condition of this Lease that Tenant covenants and agrees 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.

30.5 NOTICES. Tenant shall immediately (within two (2) Business Days) notify Landlord 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 Tenant to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Tenant shall immediately (within two (2) Business Days) upon Tenant's receipt, furnish Landlord with a copy of any and all such notices and Landlord shall have the right, but not the obligation, to attend and/or participate, in Landlord's sole and absolute discretion, in any such actions or proceedings. Tenant 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. Tenant shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property, the Hospital Improvements or

any portion thereof as provided herein without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Tenant agrees to sign, acknowledge, provide and deliver to Landlord (and if Tenant fails to do so upon request of Landlord, Tenant hereby irrevocably appoints Landlord, as agent of Tenant for such express purposes) any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all hospital licenses required for the Primary Intended Use, DHS provider agreements, and/or state or federal Title XVIII and/or Title XIX provider agreements to be obtained (either in total or individually) in the name of Landlord or the name of Landlord's designee in the event that Landlord reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Tenant) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Tenant (beyond any applicable grace or cure period) and the issuing government agency has threatened or asserted that such license or provider agreement will terminate or has lapsed or that Tenant's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Landlord in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XXXI

COMPLIANCE WITH HEALTHCARE LAWS

31.1 COMPLIANCE. Tenant hereby covenants, warrants and represents to Landlord that as of the Commencement Date and throughout the Term: (i) Tenant shall be, and shall continue to be validly licensed, Medicare and Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, TDH and the Centers for Medicare and Medicaid Services; and/or (ii) Tenant shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare and Medicaid issued by the Centers for Medicare and Medicaid Services and TDH 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 Medicaid certified general acute care hospital facility; (iii) Tenant shall be, and shall continue to be in compliance with and shall remain in compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, compliance under HIPAA; (iv) Tenant shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Tenant 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 XXXII

MISCELLANEOUS

32.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Tenant or Landlord 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 and a like but valid and enforceable provision shall replace the invalid or unenforceable provision. 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 Landlord and Tenant. 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.

32.2 GOVERNING LAW. This Lease shall be governed by and construed in accordance with the laws of the State, without regard to principles of conflicts of law.

32.3 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, and except as prohibited by law, Tenant shall transfer to Landlord or Landlord's nominee, without additional consideration to Tenant, the Licenses and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Tenant hereby grants to Landlord a landlord's lien on the License and all contracts, including contracts with governmental or quasi-governmental entities, which may be necessary or useful in the operation of the Facility. For purposes of effecting the transfers herein described and all assignments and transfers described in Article XVI, Tenant hereby nominates and irrevocably designates and appoints Landlord its true and lawful agent and attorney-in-fact, either in the name of Landlord or in the name of Tenant to do all acts and things and execute all documents which Landlord may deem necessary or advisable to effect the transfers and assignments set forth in this Section 32.3 and Article XVI, including without limitation preparing, signing and filing any and all agreements, documents and applications necessary to effect such transfers or assignments.

32.4 LANDLORD'S EXPENSES. In addition to other provisions herein, Tenant agrees and shall pay and reimburse Landlord's costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Tenant for approval or consent under this Lease, (b) requests by Landlord for approval or consent under this Lease, (c) any

circumstances or developments which give rise to Landlord's right of consent or approval, (d) circumstances resulting from any action or inaction by Tenant contrary to the lease provisions, and (e) a request for changes including, but not limited to (i) the permitted use of the Leased Property and/or the Hospital Improvements, (ii) alterations and improvements to the Hospital 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 Tenant 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 thirty (30) days.

32.5 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 Landlord and Tenant.

32.6 FUTURE FINANCING. Tenant hereby agrees that if at any time during the Term Tenant purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Tenant shall notify Landlord in writing of such purchase or contemplated purchase, and Landlord shall have the first opportunity to provide financing for such purchase upon terms mutually agreeable to Landlord and Tenant. Such financing will be contingent upon, among other things, performance benchmarks acceptable to Landlord and Landlord's satisfaction and approval of other due diligence requirements.

32.7 CASH INJECTION. As of the Commencement Date, Tenant shall have received from its equity owners at least Fifteen Million and No/100

Dollars ($15,000,000.00) in cash equity. So long as Tenant shall maintain the Consolidated Net Worth required under this Lease, such cash equity may be used for acquisition, pre-opening and operating expenses of the Facility and shall not be distributed to its equity owners. Upon request from Landlord from time to time, Tenant shall provide to Landlord evidence that such cash equity is in place and has not been distributed to Tenant's equity owners. During the Term, Tenant shall maintain Consolidated Net Worth in those amounts required under Section 16.2(a) above.

32.8 ADDITIONAL LETTER OF CREDIT. In the event Tenant obtains a letter of credit or other form of credit enhancement from a sublessee, subtenant, operating company, management company, or any other individual or entity relating to the Facility, (the "Additional Letter of Credit"), such Additional Letter of Credit shall name Landlord as a beneficiary thereunder and shall be in a form acceptable to Landlord. Tenant hereby grants to Landlord a security interest in the Additional Letter of Credit. Tenant, within ten (10) subsequent to receipt of request therefore from Landlord, shall execute, and cause any applicable sublessee, subtenant, operating company, management company, or any other individual or entity to execute and deliver, all documents (including, without limitation, all bank/lender required documents) necessary for Landlord to perfect its security interest in the Additional Letter of Credit.

32.9 LANDLORD SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Tenant agrees to cooperate with Landlord and its Affiliates in connection with any securities offerings and filings and in connection therewith, Tenant shall furnish Landlord with such financial and other information as Landlord shall request and Landlord and its Affiliates shall have the right of access, at reasonable business hours and upon advance notice, to the Facility and all documentation and information relating to the Facility and have the right to disclose any information regarding this Lease, the Tenant, the Leased Property, the Facility and such other additional information or documents which Landlord and/or its Affiliates may reasonably deem necessary.

32.10 NON-RECOURSE AS TO LANDLORD. Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Landlord under this Lease shall be enforced only against Landlord's interest in the Leased Property and not against any other assets, properties or funds of (i) Landlord, (ii) any director, officer, general partner, member, shareholder, limited partner, beneficiary, employee or agent of Landlord or any general partner or manager of Landlord or any of its general partners or members (or any legal representative, heir, estate, successor or assign of any thereof), (iii) any predecessor or successor partnership or corporation (or other entity) of Landlord or any of its general partners, members, shareholders, officers, directors, employees or agents, either directly or through Landlord or its general partners, members, 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.

32.11 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.

32.12 NO WAIVER. No failure by Landlord or Tenant 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.

32.13 SURRENDER. No surrender to Landlord 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 Landlord and no act by Landlord or any representative or agent of Landlord, other than such a written acceptance by Landlord, shall constitute an acceptance

of any such surrender.

32.14 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 XXXIII

MEMORANDUM OF LEASE

33.1 MEMORANDUM.

Landlord and Tenant, promptly upon the request of either, shall 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, Landlord and Tenant have caused this Lease to be executed by their incumbent and duly authorized representatives effective as of June 1, 2005.

LANDLORD:

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By: Edward K. Aldag, Jr.

Print Name: Edward K. Aldag, Jr.

Date: June 13, 2005 Title: President & CEO

TENANT:

NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD.,
a Texas limited partnership

By: North Cypress Medical Center Operating Company GP, LLC, a Texas limited liability company, its general partner

Date: June 8, 2005 By: /s/ Robert A. Behar, M.D.

Name: Robert A. Behar, M.D.
Title: Chairman of the Board

EXHIBIT A

PROPERTY DESCRIPTION (LAND)

METES AND BOUNDS DESCRIPTION
PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT
12.985 NET ACRES
Revised June 7, 2005

All that certain 13.958 acre (608,019 square foot) tract of land situated in the W. H. Gentry Survey, Abstract Number 295 and in the William Jones Survey, Abstract Number 489, both in Harris County, Texas, being out of and a part of a called 13.5055 acre tract of land as described by deed recorded under Harris County Clerk's File Number Y175041 and a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod with plastic cap stamped "BENCHMARK ENGR" set in the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) at the most southerly corner of the residue of a tract of land as described in a conveyance to Frank Robert Kukral, Supreme Lodge of Slavonic Benevolent Order of the State of Texas tract by deed recorded in Volume 3703, Page 68 of the Harris County Deed Records for the most westerly corner of said 13.5055 acre tract, from which a 5/8-inch iron rod found bears South 09 degrees 30' 17" East, a distance of 1.56 feet;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 13.5055 acre tract, a distance of 381.03 feet to the POINT OF BEGINNING and being the most westerly corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, continuing along the northwesterly line of said 13.5055 acre tract, a distance of 418.26 feet to an exterior corner of the herein described tract;

THENCE, South 54 degrees 00' 08" East, a distance of 474.00 feet to the beginning of a curve to the left;

THENCE, southeasterly, a distance of 140.10 feet along the arc of said curve to the left having a radius of 336.00 feet through a central angle of 23 degrees 53' 23" and a chord that bears South 64 degrees 35' 08" East, a distance of 139.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 30.07 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 10 degrees 19' 55" and a chord that bears South 71 degrees 21' 52" East, a distance of 30.03 feet to the point of reverse curvature of a curve to the left;

THENCE, northeasterly, a distance of 37.36 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 76 degrees 27' 08" and a chord that bears North 75 degrees 34' 31" East, a distance of 34.65 feet to the point of tangency of said curve;

THENCE, North 37 degrees 20' 57" East, a distance of 40.04 feet to an interior corner of the herein described tract;

THENCE, North 52 degrees 38' 34" West, a distance of 9.81 feet to a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract for an exterior corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 19.855 acre tract, a distance of 223.69 feet to a 5/8-inch iron rod found for an angle point of said 10.00 acre tract, said 19.855 acre tract and the herein described tract;

THENCE, North 87 degrees 37' 41" East, along the north line of said 19.855 acre tract, a distance of 413.32 feet to a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast corner of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 for the northeast corner of said 19.855 acre tract and the herein described tract;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to an exterior corner of the herein described tract;

THENCE, South 86 degrees 39' 10" West, a distance of 250.74 feet to the beginning of a curve to the left;

THENCE, northwesterly, a distance of 23.43 feet along the arc of said curve to the left having a radius of 15.00 feet through a central angle of 89 degrees 28' 55" and a chord that bears North 47 degrees 26' 05" West, a distance of 21.12 feet to the point of tangency of said curve;

THENCE, South 87 degrees 49' 25" West, a distance of 71.75 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 119.81 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 50 degrees 28' 28" and a chord that bears South 62 degrees 35' 11" West, a distance of 115.97 feet to the point of tangency of said curve;

THENCE, South 37 degrees 20' 57" West, a distance of 171.52 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 38.43 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 78 degrees 38' 20" and a chord that bears South 01 degrees 58' 13" East, a distance of 35.48 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 48.88 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 16 degrees 47' 36" and a chord that bears South 32 degrees 53' 36" East, a distance of 48.71 feet to the point of reverse curvature of a curve to the left;

THENCE, southeasterly, a distance of 70.04 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 29 degrees 30' 24" and a chord that bears South 39 degrees 15' 00" East, a distance of 69.27 feet to the point of tangency of said curve;

THENCE, South 54 degrees 00' 12" East, a distance of 13.04 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 28.21 along the arc of said curve to the left having a-radius of 86.00 feet through a central angle of 18 degrees 47' 38" and a chord that bears South 63 degrees 24' 01" East, a distance of 28.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 103.49 feet along the arc of said curve to the right having a radius of 54.50 feet through a central angle of 108 degrees 47' 38" and a chord that bears South 18 degrees 24' 01" East, a distance of 88.62 feet to the point of tangency of said curve;

THENCE, South 35 degrees 59' 48" West, a distance of 119.12 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 77.35 feet along the arc of said curve to the left having a radius of 112.00 feet through a central angle of 39 degrees 34' 10" and a chord that bears South 16 degrees 12' 43" West, a distance of 75.82 feet to the point of reverse curvature of a curve to the right;

THENCE, southwesterly, a distance of 85.39 along the arc of said curve to the right having a radius of 48.00 feet through a central angle of 101 degrees 55' 41" and a chord that bears South 47 degrees 23' 29" West, a distance of 74.57 feet to the point of reverse curvature of a curve to the left;

THENCE, southwesterly, a distance of 21.93 along the arc of said curve to the left having a radius of 20.00 feet through a central angle of 62 degrees 49' 24" and a chord that bears South 66 degrees 56' 37" West, a distance of 20.85 feet to the point of tangency of said curve;

THENCE, South 35 degrees 31' 55" West, a distance of 81.68 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 12.07 along the arc of said curve to the left having a radius of 18.00 feet through a central angle of 38 degrees 25' 39"

and a chord that bears South 16 degrees 19' 05" West, a distance of 11.85 feet to the end of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 13.90 feet to an exterior corner of the herein described tract;

THENCE, North 75 degrees 46' 46" West, a distance of 1.78 feet to the point of curvature of a curve to the right;

THENCE, northwesterly, a distance of 14.05 feet along the arc of said curve to the right having a radius of 110.00 feet through a central angle of 07 degrees 19' 12" and a chord that bears North 72 degrees 07' 10" West, a distance of 14.04 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 42.41 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 45.27 feet along the arc of said curve to the left having a radius of 150.00 feet through a central angle of 17 degrees 17' 31" and a chord that bears South 27 degrees 23' 35" West, a distance of 45.10 feet to the point of tangency of said curve;

THENCE, South 18 degrees 44' 49" West, a distance of 169.30 feet to a point in the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) and being on the arc of a curve to the right at the most southerly corner of the herein described tract;

THENCE, northwesterly, along said northerly right-of-way line a distance of 8.72 feet along the arc of said curve to the right having a radius of 477.47 feet through a central angle of 01' 02' 47" and a chord that bears North 70 degrees 43' 47" West, a distance of 8.72 feet to a Texas Department of Transportation monument found at the point of tangency of said curve;

THENCE, North 70 degrees 12' 24" West, continuing along said northerly right-of-way line, a distance of 13.91 feet to a Texas Department of Transportation monument found at the point of curvature of a curve to the right;

THENCE, northwesterly, continuing along said northerly right-of-way line a distance of 436.10 feet along the arc of said curve to the right having a radius of 2,694.79 feet through a central angle of 09 degrees 16' 20" and a chord that bears North 65 degrees 34' 13" West, a distance of 435.63 feet to an exterior corner of the herein described tract;

THENCE, North 28 degrees 41' 36" East, a distance of 35.02 feet to the point of curvature of a curve to the left;

THENCE, northeasterly, a distance of 17.75 feet along the arc of said curve to the left having a radius of 63.00 feet through a central angle of 16 degrees 08' 24" and a chord that bears North 20 degrees 37' 25" East, a distance of 17.69 feet to the point of reverse curvature of a curve to the right;

THENCE, northeasterly, a distance of 46.03 feet along the arc of said curve to the right having a radius of 112.50 feet through a central angle of 23 degrees 26' 36" and a chord that bears North 24 degrees 16' 31" East, a distance of 45.71 feet to the point of tangency of said curve;

THENCE, North 35 degrees 59' 48" East, a distance of 141.39 feet to the point of curvature of a curve to the right;

THENCE, northeasterly, a distance of 21.07 feet along the arc of said curve to the right having a radius of 37.50 feet through a central angle of 32 degrees 11' 39" and a chord that bears North 52 degrees 05' 38" East, a distance of 20.79 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 00' 12" West, a distance of 69.48 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 00' 04" West, a distance of 4.37 feet to an exterior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 186.81 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 15.94 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 40.00 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 98.56 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 235.19 feet to the POINT OF BEGINNING and containing a computed area of 13.958 acres (608,019 square feet) land. SAVE AND EXCEPT the following described tract;

SAVE AND EXCEPT TRACT

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract;

THENCE, South 37 degrees 21' 26" West, along the southeasterly line of said 13.5055 acre tract and along the northwesterly line of said 19.855 acre tract, a distance of 553.87 feet to a point;

THENCE, South 52 degrees 38' 34" East, a distance of 28.91 feet to the POINT OF BEGINNING and being an angle point of the herein described;

THENCE, North 76 degrees 11' 04" East, a distance of 35.74 feet to an angle POINT;

THENCE, South 53 degrees 58' 04" East, a distance of 117.23 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 30.50 feet to an interior corner of the herein described tract;

THENCE, South 53 degrees 58' 04" East, a distance of 5.52 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 252.00 feet to the most southerly corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 34.80 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears South 81 degrees 01' 56" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 16.00 feet to an exterior corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 90.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 15.50 feet to the point of curvature of a curve to the left;

THENCE, northwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears North 08 degrees 58' 04" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, North 53 degrees 58' 04" West, a distance of 15.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 255.68 feet to the POINT OF BEGINNING and containing a computed area of 0.973 of one acre (42,392 square feet) land, resulting in a net acreage of 12.985 acres (565,627 square feet) of land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT" prepared by Benchmark Engineering Corporation, Job Number 03112.

EXHIBIT B

PROPERTY DESCRIPTION (NORTHEAST PARKING PARCEL)

METES AND BOUNDS DESCRIPTION
PROPOSED NORTHEAST PARKING LOT
1.878 ACRES
May 6, 2005

All that certain 1.878 acre (81,823 square foot) tract of land situated in the William Jones Survey, Abstract Number 489, Harris County, Texas, being out of and a part of a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast comer of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 and being the northeast corner of said 19.855 acre tract, from which a 5/8-inch iron rod found at an angle point of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and said 19.855 acre tract bears South 87 degrees 37' 41" West, a distance of 413.32 feet;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to the POINT OF BEGINNING and being the northeast corner of the herein described tract;

THENCE, South 02 degrees 41' 38" East, continuing along said west right-of-way line, a distance of 322.86 feet TO the beginning of a curve to the right at the southeast corner of the herein described tract;

THENCE, southwesterly, a distance of 18.21 feet along the arc of said curve to the right having a radius of 28.00 feet through a central angle of 37 degrees 15' 57" and a chord that bears South 68 degrees 59' 10" West, A distance of 17.89 feet to the point of tangency of said curve;

THENCE, South 87 degrees 37' 09" West, a distance of 233.74 feet to the southwest corner of the herein described Tract;

THENCE, North 02 degrees 41' 38" West, a distance of 324.35 feet to the northwest corner of the herein described Tract;

THENCE, North 86 degrees 39' 10" East, a distance of 250.74 feet to the POINT OF BEGINNING and containing a compuTed area of 1.878 acres (81,823 square feet) land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTHEAST PARKING LOT" prepared by Benchmark Engineering Corporation, Job Number 03112.

EXHIBIT C

PERMITTED EXCEPTIONS

1. All taxes for the year 2005 and subsequent years not yet due and payable, and any additional taxes resulting from reassessment of subject property.

2. Restrictions recorded in Volume 5943, Page 51, of the Deed Records of Harris County, Texas.

3. Terms, conditions and stipulations regarding development of the subject property, as set forth and defined in instrument filed for record under Clerk's File No. R488062, of the Official Records of Harris County, Texas.

4. Easement to Harris County Municipal Utility District No. 248 recorded in Clerk's File No. T954404, of the Official records of Harris County, Texas granting an easement 20 feet wide along the north 83.13 feet of the east property line.

5. Mineral and/or royalty interest recorded in Volume 5943, Page 51, of the Deed records of Harris County, Texas.

6. Mineral and/or royalty interest recorded in Volume 7725, Page 211, of the Deed records of Harris County, Texas.

7. Ordinance #1999-262, of the City of Houston, passed March 24, 1999, and amendments, pertaining to the platting and replatting of real property and the establishment of building set back lines along major thoroughfares within such boundaries.

8. City of Houston Ordinance 91-1701 regarding the planting, preservation and maintenance of trees and decorative landscaping, a certified copy of which is filed for record under Clerk's File No. N556388, of the Official Records of Harris County, Texas.

9. Inclusion within Harris County Municipal Utility District No. 248.

10. Terms and conditions of that certain Net Ground Lease (Northeast Parking Parcel) between Northern Healthcare Land Ventures, Ltd., as Lessor and MPT of North Cypress, L.P. as Lessee, a memorandum of which is recorded June _____, 2005 under Clerk's File No. _____, of the Official Records of Harris County, Texas.

11. Terms and conditions of that certain Net Ground Lease (Hospital Tract) between North Cypress Property Holdings, Ltd., as Lessor and MPT of North Cypress, L.P. as Lessee, a memorandum of which is recorded June _____, 2005 under Clerk's File No. _____, of the Official Records of Harris County, Texas.

12. Terms and conditions of that certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions, and Restrictions for Development and Operation of the North

Cypress Medical Center Campus recorded June _____, 2005 under Clerk's File No. _____, of the Official Records of Harris County, Texas.

EXHIBIT D

FORM OF LETTER OF CREDIT

DATE

IRREVOCABLE STANDBY LETTER OF CREDIT NO.

TO:

WE HEREBY ESTABLISH OUR IRREVOCABLE LETTER OF CREDIT NO. IN YOUR FAVOR AT THE REQUEST AND FOR THE ACCOUNT OF , FOR THE SUM NOT TO EXCEED IN ALL U.S. DOLLARS (US $) AVAILABLE BY YOUR SIGHT DRAFT ON US, ACCOMPANIED BY:

1. BENEFICIARY'S STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF CERTIFYING THAT PAYMENT WAS NOT RECEIVED FROM AND REMAINS UNPAID AT THE TIME OF DRAWING.

2. INVOICE SHOWING THE AMOUNT OWED.

PARTIAL DRAWINGS ARE PERMITTED.

ALL DRAFTS SO DRAWN MUST BE MARKED "DRAWN UNDER REPUBLIC NATIONAL BANK STANDBY LETTER OF CREDIT NO. , DATED .

THIS CREDIT EXPIRES AT OUR COUNTERS ON . THE ORIGINAL OF THIS LETTER OF CREDIT MUST ACCOMPANY ALL DRAWINGS.

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED BY US UPON PRESENTATION.

THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500 (1993 REVISION).

REPUBLIC NATIONAL BANK

EXHIBIT E

RESTRICTIONS, RULES AND REGULATIONS

OPERATIONS AND USE

NAME OF CAMPUS

1. The name of the Campus is North Cypress Medical Center Campus and the name may not be changed without prior written consent of all the Parties.

PERMITTED USES

2. Subject to the limitations set forth in this Article, the Campus may be used only for the development, construction, leasing, operation, and maintenance of hospitals, professional office buildings, medical services, retail business establishments and related facilities (such as the Common Areas) customarily located in a first class medical Campus.

PROHIBITED NUISANCES

3. No Party may conduct or permit any activity or use on its Parcel that:

(a) Constitutes a private or public nuisance.

(b) Emits any noise or sound that is objectionable due to intermittence, loudness, frequency, beat, or pitch.

(c) Emits any obnoxious odor.

(d) Involves the use of any noxious, toxic, hazardous, or corrosive chemical, fuel, gas, or other substance, except in the Hospital Areas where such substances may be used in connection with the provision of medical services or in the operation of the hospital in the Hospital Areas.

(e) Produces dust or dirt.

(f) Involves a risk of fire, explosion, or other dangerous hazard.

(g) Involves the burning or incineration of garbage or refuse.

(h) Violates a law, ordinance, or regulation of any governmental agency.

PROHIBITED OPERATIONS AND USES

4. No Parcel may be used for any of the following:

(a) Storage or warehousing, except by a retail establishment for temporary storage of goods intended for sale at its establishment, or by a hospital for temporary storage of goods intended for use in the operation of the hospital.

(b) Manufacturing, industrial, or residential uses.

(c) Displaying merchandise in Common Areas.

(d) Entertainment or recreational uses which include, but are not limited to: bowling alleys; skating rinks; theaters; video or other game arcades; health spas (except in the Hospital Areas), studios, gyms, night clubs; massage parlors; pool or billiard halls; pornographic or sexually oriented stores, materials including books, videos, films, discs or sex performances, and card rooms.

(e) Educational, training, or instructional uses, such as beauty schools, barber colleges, business or technical colleges, or other facilities oriented toward students or trainees rather than customers), provided nothing in this subparagraph shall be deemed to prohibit a hospital from being a teaching hospital.

FAST-FOOD USES

5. "Fast-food" establishments are permitted on the Campus.

RESTAURANT USES

6. Restaurants are permitted in the Campus subject to the following conditions:

(a) The restaurant is located in the Commercial Areas.

(b) A restaurant is located in the Hospital Areas as an accessory use to the operation of the Hospital Areas.

(c) An Occupant operating a restaurant must, at the Occupant's sole cost and expense, keep the Common Areas at all times free of trash and debris generated by the restaurant and its customers. No portion of this cost may be included in the Common Area Maintenance Costs.

(d) A lease to an Occupant operating a restaurant must contain provisions incorporating the preceding requirements.

RULES AND REGULATIONS

7. The Parties may from time to time adopt Rules and Regulations pertaining to the use of all Common Areas and other areas of the Campus by Occupants and Users, provided that no rule or regulation shall abrogate or modify the rights granted to any Party under this Agreement. Moreover, all Rules and Regulations apply equally and without discrimination to all Owners, Users and Occupants. As part of its obligations to manage, operate, and maintain the Campus,

the Owner must enforce these Rules and Regulations with respect to the Owner's Parcel. No portion of the Common Areas may be used for commercial purpose by an Occupant or User except as permitted by this Agreement or by the Rules and Regulations.

SIGNS

8. The regulations and restrictions for posting signs in Commercial Areas of the Campus are:

No sign, symbol, advertisement, or billboard may be constructed, used, maintained, erected, posted, displayed, or permitted on or about any portion of the Campus except as expressly allowed as follows

(a) One storefront, establishment name sign may be used for each retail establishment in the Campus provided that such sign:

(i) Identifies the name, business, or symbol of the establishment.

(ii) Does not advertise any particular item of merchandise (other than as may be contained in the store's trade name).

(iii) Is harmonious with the general exterior architectural style of the buildings in the Campus.

(iv) Is of a type, size, and design commonly found in first class regional centers.

(v) Complies with the dimensional, floor level elevation, location, and style of lettering specifications approved by the Project Architect. The Project Architect has approved the foregoing signage specifications for the construction of the hospital in the Hospital Areas.

(vi) Otherwise complies with the sign criteria and requirements established in this document.

(vii) Has been approved by the Project Architect.

9. The regulations and restrictions for posting signs in the Hospital Areas of the Campus are those which have been approved by the Project Architect (hereinafter defined).

SOUND AND LIGHT PROJECTIONS

10. No Occupant may operate or maintain any system or electronic device (such as loudspeakers or search lights) that projects sound or light beyond the confines of the Occupant's retail establishment. A sound system for the Campus as a whole, if approved by the Parties, may be installed for general promotional purposes.

SCHEDULE 3

GROUND RENT COMPONENT OF BASE RENT

Period	Annual Ground Rent Component	Monthly Installment
June 1, 2005 - December 31, 2009	$ 502,300.00	$ 41,858.00
January 1, 2010 - December 31, 2014	$ 542,484.00	$ 45,207.00
January 1, 2015 - December 31, 2019	$ 585,883.00	$ 48,824.00
January 1, 2020 - December 31, 2024	$ 632,753.00	$ 52,729.00
January 1, 2025 - December 31, 2029	$ 683,373.00	$ 56,948.00
January 1, 2030 - December 31, 2034	$ 738,043.00	$ 61,504.00
January 1, 2035 - December 31, 2039	$ 797,087.00	$ 66,424.00
January 1, 2040 - December 31, 2044	$ 860,854.00	$ 71,738.00
January 1, 2045 - December 31, 2049	$ 929,722.00	$ 77,477.00
January 1, 2050 - December 31, 2054	$ 1,004,100.00	$ 83,675.00
January 1, 2055 - December 31, 2059	$ 1,084,428.00	$ 90,369.00
January 1, 2060 - December 31, 2064	$ 1,171,182.00	$ 97,598.00
January 1, 2065 - December 31, 2069	$ 1,264,876.00	$105,406.00
January 1, 2070 - December 31, 2074	$ 1,366,067.00	$113,839.00
January 1, 2075 - December 31, 2079	$ 1,475,352.00	$122,946.00
January 1, 2080 - December 31, 2084	$ 1,593,380.00	$132,782.00
January 1, 2085 - December 31, 2089	$ 1,720,850.00	$143,404.00
January 1, 2090 - December 31, 2094	$ 1,858,518.00	$154,877.00
January 1, 2095 - December 31, 2099	$ 2,007,200.00	$167,267.00
January 1, 2100 - May 31, 2104	$ 2,167,776.00	$180,648.00

EXHIBIT 10.40

NET GROUND LEASE
(HOSPITAL TRACT)

THIS NET GROUND LEASE ("Lease") is made and entered into the 13th day of June, 2005, but effective as of June 1, 2005, by and between NORTH CYPRESS PROPERTY HOLDINGS, LTD. ("Landlord"), a Texas limited partnership, and MPT OF NORTH CYPRESS, L.P. ("Tenant"), a Delaware limited partnership.

W I T N E S S E T H:

WHEREAS, Landlord is the owner of certain real property located in Harris County, Texas and being more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof (the "Land");

WHEREAS, Northern Healthcare Land Ventures, Ltd. ("Northern Healthcare"), an entity with owners in common with Landlord, is the owner of certain real property located adjacent to the Land (the "Northeast Parking Parcel");

WHEREAS, Landlord intends to lease the Land to Tenant and Tenant intends to rent the Land from Landlord upon the terms and conditions hereinafter set forth;

WHEREAS, on or about the date hereof, Northern Healthcare and Tenant entered into a ground lease pursuant to which Northern Healthcare leased the Northeast Parking Parcel to Tenant;

WHEREAS, Tenant intends to sublease the Land and the Northeast Parking Parcel to North Cypress Medical Center Operating Company, Ltd. ("NCMC") pursuant to that certain Sublease Agreement (Pre-Construction), to be executed by Tenant and NCMC of even date herewith (the "Sublease");

WHEREAS, of even date herewith, NCMC and MPT Finance Company, LLC have consummated a construction loan, the proceeds of which shall be utilized by NCMC for construction of improvements on the Land and the Northeast Parking Parcel;

WHEREAS, Tenant intends to purchase from NCMC and NCMC intends to sell to Tenant the improvements being constructed by NCMC on the Land and the Northeast Parking Parcel and to evidence such intent, of even date herewith, Tenant and NCMC have entered into a purchase and sale agreement (the "Improvements Sales Contract"); and

WHEREAS, the Improvements Sales Contract provides, and Tenant and NCMC have agreed, that NCMC shall lease from Tenant the Land, the improvements purchased from NCMC and sublease the Northeast Parking Parcel.

NOW, THEREFORE, in consideration of the premises to be demised, the rents to be paid and of the other covenants, conditions, warranties and agreements hereinafter set forth, it is hereby agreed as follows:

1. Premises Demised. Landlord shall and by these presents does hereby demise and rent unto Tenant, and Tenant by these presents does hereby take and hire from Landlord the Land, together with all easements, rights and appurtenances relating thereto (the "Premises") or as a result of Tenant's acquisition from Landlord of the Land.

2. Term. This Lease shall be for a period of ninety-nine (99) years commencing on June 1, 2005 (the "Commencement Date"), and expiring on May 31, 2104, unless sooner terminated in accordance herewith or as a result of Tenant's acquisition from Landlord of the Land. (Such ninety-nine (99) year period, as may be sooner terminated, is herein reformed to as the "Term").

3. Rent.

3.1 During the Term, Tenant agrees to pay to Landlord, without notice, demand, deduction, setoff or abatement, in lawful money of the United States, at Landlord's address set forth in Section 20 or such other place as Landlord shall designate in writing from time to time, annual rent for the Premises as set forth below (the "Rent"). Rent equal to one-twelfth (1/12th) of the annual rate then applicable shall be payable monthly in advance commencing

on the Commencement Date and continuing on the first (1st) day of each month thereafter during the Term. The Rent per applicable period is as follows:

Period	Annual Rent	Monthly Installment
June 1, 2005 - December 31, 2009	$ 438,832.00	$ 36,569.00
January 1, 2010 - December 31, 2014	$ 473,939.00	$ 39,495.00
January 1, 2015 - December 31, 2019	$ 511,854.00	$ 42,654.00
January 1, 2020 - December 31, 2024	$ 552,802.00	$ 46,067.00
January 1, 2025 - December 31, 2029	$ 597,026.00	$ 49,752.00
January 1, 2030 - December 31, 2034	$ 644,788.00	$ 53,732.00
January 1, 2035 - December 31, 2039	$ 696,372.00	$ 58,031.00
January 1, 2040 - December 31, 2044	$ 752,081.00	$ 62,673.00
January 1, 2045 - December 31, 2049	$ 812,248.00	$ 67,687.00
January 1, 2050 - December 31, 2054	$ 877,228.00	$ 73,102.00
January 1, 2055 - December 31, 2059	$ 947,406.00	$ 78,950.00
January 1, 2060 - December 31, 2064	$1,023,198.00	$ 85,267.00
January 1, 2065 - December 31, 2069	$1,105,054.00	$ 92,088.00

Period	Annual Rent	Monthly Installment
January 1, 2070 - December 31, 2074	$1,193,458.00	$ 99,455.00
January 1, 2075 - December 31, 2079	$1,288,935.00	$107,411.00
January 1, 2080 - December 31, 2084	$1,392,050.00	$116,004.00
January 1, 2085 - December 31, 2089	$1,503,414.00	$125,284.00
January 1, 2090 - December 31, 2094	$1,623,687.00	$135,307.00
January 1, 2095 - December 31, 2099	$1,753,582.00	$146,132.00
January 1, 2100 - May 31, 2104	$1,893,869.00	$157,822.00

Installments of Rent not received by Landlord within ten (10) calendar days after the due date thereof shall be subject to a late charge due and payable by Tenant to Landlord, in an amount equal to five percent (5%) of such past due Rent.

3.2 Except as expressly provided in this Lease, Tenant shall not be required to make any expenditure, incur any obligation, or incur any liability of any kind whatsoever in connection with this Lease or the financing, ownership, construction, maintenance, operation, or repair of the Premises, except for the liability insurance coverage for the Land and real estate taxes relating to the Premises to be paid through Tenant by NCMC under the Sublease or by any other subtenant of the Premises under any substitute sublease of the Premises.

4. Use of the Premises.

4.1 Tenant shall have the right to use the Premises for any lawful purpose. Tenant's intended initial use is a general acute care hospital facility

with related retail facilities.

4.2 Tenant shall not use, nor shall it permit or suffer use of the Premises for any illegal or unlawful purpose, nor in any manner to create any nuisance or trespass. Tenant shall comply with all Governmental Requirements (as herein defined) concerning the condition, occupancy or use of the Premises or any improvements constructed thereof, or any part thereof, or the business(es) conducted thereon. Tenant shall likewise observe and comply with the requirements of all policies of public liability, fire and all other policies of insurance required to be supplied by Tenant at any time in force with respect to the Premises. Tenant may, however, in good faith (and wherever necessary in the name of, but without expense to, Landlord), contest the validity of any Governmental Requirement, and, pending the determination of such contest, may postpone compliance with such Governmental Requirement, except that Tenant shall not postpone compliance therewith in such a manner as to subject Landlord to any fine or penalty or to prosecution for any misdemeanor, felony or other crime, or to cause the Premises or any Improvements thereon or any part thereof to be condemned. The term "Governmental Requirement", as used in this Lease, shall mean any present or future law, statute, act, judgment, order, ordinance, rule or regulation of any governmental authority having jurisdiction over the

Premises, any improvements now or hereafter located thereon, or any other matter related thereto.

4.3 The Premises are encumbered by that certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions, and Restrictions for Development and Operation of the North Cypress Medical Center Campus, dated effective as of June 1, 2005 by and among Northern Healthcare Land Ventures, Ltd., Northern Healthcare Land Ventures-II, Ltd. and Landlord, and recorded, or to be recorded, in the real property records of Harris County, Texas (the "REA"). This Lease is subject to the terms and conditions of the REA. For the duration of this Lease, Landlord hereby assigns and transfers its rights and obligations as an "Owner" under the Declaration to Tenant and Tenant hereby assumes such rights and obligations. This foregoing assignment and assumption immediately shall expire under the expiration or earlier termination of this Lease.

4.4 Pursuant to Section 9.03 of the REA, Tenant is hereby notified that the restrictions, regulations and conditions regarding operation and use of the Campus (as defined in the REA), a copy of which are attached hereto as Exhibit "B" and by this reference made a part hereof, affect the Premises and that Tenant must comply with the same.

5. Expenses.

5.1 The Rent payable by Tenant hereunder shall be paid gross to Landlord. Any and all expenses, except for the liability insurance coverage for the Land and real estate taxes relating to the Premises to be paid through Tenant by NCMC under the Sublease or by any other subtenant of the Premises under any substitute sublease of the Premises, relating to the Premises arising and accruing from and after the Commencement Date and throughout the Term shall be borne by Landlord.

5.2 Landlord will use its best efforts to cause the Premises to be taxed as a separate tax parcel for the year 2006 and all years during the Term thereafter. If the applicable taxing authority will not tax the Premises as a separate tax parcel, the tax bill which includes the Premises shall be prorated among the owners of the land included in the tax bill. The proration shall be based on acreage of each parcel included within the tax bill.

6. Construction of Improvements. Tenant shall have the right, from time to time, to improve the Premises, as Tenant determines is desirable in its sole discretion, including the right to grade the Premises and construct improvements thereon. Tenant shall own all buildings and other improvements placed upon the Premises.

7. Maintenance and Repairs. Tenant shall not be obligated to make any repairs, improvements or replacements to the Premises or to maintain the Premises in any manner whatsoever during the Term.

8. Condemnation. If at any time during the Term, title to all of the

Premises shall be taken or condemned by any competent authority for any public use or purpose under any statute

or by right of eminent domain, then this Lease shall terminate on the date of such taking and all Rent and other charges payable by Tenant shall be apportioned as of the date of the taking. Nothing contained herein shall prevent Landlord or Tenant from prosecuting claims in any condemnation proceedings for the value of their respective interests. In the event that title to part of the Premises shall be taken or condemned and, in Tenant's sole discretion, Tenant determines that the remaining portion of the Premises are not suitable for the purpose to which Tenant was utilizing the Premises at the time of the taking or condemnation or any other purpose for which Tenant may wish to utilize the Premises, then, and in that event, Tenant may elect to terminate this Lease as of the date possession shall be taken by such authority. Such notice of election shall be given in writing to Landlord within ninety-five (95) days after official notice to Tenant of the portion to be taken. In the event Tenant shall not timely exercise such option to terminate this Lease, or if part of the Premises shall be taken or condemned under circumstances whereby Tenant does not have such option, then, and in either of such events, the Rent for the balance of the Term shall be abated and adjusted in an equitable manner.

9. Damages/Destruction. In the event any improvements now or hereafter located on the Premises shall be damaged due to fire or other casualty, Tenant, in its sole discretion, may elect to rebuild the damaged improvements or to raze all or any of the improvements so damaged (and any other improvements deemed desirable by Tenant). Tenant shall provide notice to Landlord of its election on or before ninety (90) days subsequent to the date of the casualty. In the event Tenant has not commenced repair or reconstruction of the damaged improvements within six (6) months from the date of the casualty (or such longer period as may be required in order to obtain permits to allow for such repair or reconstruction), then Tenant shall raze the damaged improvements, remove the debris thereby created and return the Premises to a neat and orderly condition. If Tenant shall require more than the six (6) month period above described to commence repair or reconstruction, Tenant shall notify Landlord of such additional time as is needed.

10. Intentionally Deleted.

11. Intentionally Deleted.

12. Mechanic's Liens. Landlord will indemnify and hold Tenant harmless from and against any loss or damage due to any lien filed against the Premises on account of nonpayment or dispute with respect to labor or materials furnished in connection with the construction or repair of any of the improvements made by or for Landlord on the Premises prior to or during the Term. Tenant will indemnify and hold Landlord harmless from and against any loss or damage due to any lien filed against the Premises on account of nonpayment or dispute with respect to labor or materials furnished in connection with the construction or repair of any of the improvements made by or for Tenant on the Premises during the Term (provided the improvements being constructed by NCMC on the Land and the Northeast Parking Parcel shall not be deemed to be improvements made by or for Tenant pursuant to this Section 12).

13. Assignment and Subletting. This Lease may not be assigned by Landlord without the prior written consent of Tenant, which consent shall not be unreasonably withheld. Landlord

shall not assign this Lease to any entity which is not a "special purpose entity" which sole asset is the Premises. Tenant, without Landlord's prior written consent, may assign this Lease or any interest therein or sublease the Premises or any portion thereof at any time and from time to time.

14. Default. In the event Tenant fails to pay the Rent as herein provided and such failure continues for ninety (90) days subsequent to Tenant's receipt of written notice of such failure from Landlord, then Landlord, after providing to Tenant a second written notice setting forth such failure and Tenant failing to cure such default within ten (10) days subsequent to Tenant's receipt of such

second notice, may exercise any right or remedy allowed at law or in equity. If Tenant fails to promptly perform any other covenant hereunder or pay any other sums due hereunder, and Tenant has not cured such failure within ninety (90) days subsequent to Tenant's receipt of such written notice, then Landlord, after providing to Tenant a second written notice setting forth such failure and Tenant failing to cure such default within ten (10) days subsequent to Tenant's receipt of such second notice, may exercise any right or remedy allowed at law or in equity; provided in no event, except as hereinafter specifically set forth in this Section 14, shall Landlord have the right to terminate this Lease as a result of Tenant's default. Notwithstanding anything in this Section 14 to the contrary, the remedies afforded Landlord under this Section 14 shall not be applicable to any default by Tenant for which a remedy is expressly provided in this Lease. The occurrence of any one or more of the following events shall also constitute a default by Tenant hereunder, for which Landlord will have the option, as its sole and exclusive remedy, to terminate this Lease and in connection therewith, and as a condition of such termination, to purchase all of Tenant's then existing interest in the Land, the Sublease, and the improvements being constructed by NCMC on the Land and the Northeast Parking Parcel, for an amount equal to the sum of the then outstanding principal balance of the loan from MPT Finance Company, LLC to NCMC, plus any and all other sums expended by Tenant in connection with the transactions contemplated by this Lease, the Sublease and such loan:

14.1 if any of Tenant, MPT Finance Company, LLC, MPT Operating Partnership L.P., or Medical Properties Trust, Inc. shall:

(a) admit in writing its inability to pay its debts generally as they become due,

(b) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(c) make an assignment for the benefit of its creditors,

(d) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(e) 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;

provided, however, that no such inability, petition, assignment, receivership, or forced reorganization as set forth in this Section 14.1 shall constitute a breach of this Lease if Tenant or its affiliates vigorously contest the same by appropriate proceedings and shall remove or vacate the same within ninety (90) days from the date of its creation, service or filing; or

14.2 if any of Tenant, MPT Finance Company, LLC, MPT Operating Partnership L.P., or Medical Properties Trust, Inc. 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 Tenant into, or a sale of substantially all of Tenant's assets to, another business entity; or

14.3 if NCMC shall have declared MPT Finance Company, LLC to be in default of any of its material covenants or obligations under the construction loan from MPT Finance Company, LLC to NCMC, and such default shall continue beyond any applicable notice, cure or grace period, provided such default is not caused by or did not arise due to any default by NCMC under such construction loan.

15. Further Encumbrances. Landlord agrees that it will not encumber the Premises with any easements, security deeds or other encumbrances without Tenant's prior written consent, which shall be given or withheld in Tenant's sole discretion. To the extent there exists easements or other agreements which affect the Premises as of the date hereof, and Tenant, in its reasonable discretion, determines that a modification thereof is necessary for the development of the Premises for Tenant's intended use or that other easements or other rights which encumber the Premises are necessary, then Landlord agrees to cooperate with Tenant in connection with modifying any such agreements and

granting such other easements and rights.

16. Financing.

16.1 Landlord agrees that Tenant shall have the absolute right during the Term to place one (1) or more deeds of trust, mortgages or similar security interests on all or any portion of Tenant's leasehold interest in the Premises and/or any improvements therein; provided, however, and except as provided below Tenant shall have no right whatsoever to encumber Landlord's fee title and reversionary interest in the Premises and such security instrument shall encumber only Tenant's rights under this Lease and the leasehold estate created hereby.

16.2 Notwithstanding any other provision of this Lease to the contrary, in the event Tenant or any sublessee of Tenant shall obtain a loan for construction of improvements on the Premises or any other loan secured by Tenant's leasehold interest in the Premises, Landlord, upon request by Tenant, shall subordinate this Lease and Landlord's interest therein to such construction loan and shall timely execute any and all documents reasonably requested by the construction lender to evidence such subordination, however in no event shall Landlord be required to subordinate its fee title or reversionary interest in the Premises to such construction loan.

16.3 In the event of a termination of this Lease prior to the expiration of the Term, Landlord, within thirty (30) days prior to the termination of the Lease, shall serve upon any institutional lender which holds a first priority mortgage encumbering Tenant's leasehold interest in the Premises (a "Lender") written notice of such termination, together with a statement of any and all sums which would be due under the Lease as of the date of notice (but for the termination of the Lease) and a description of any and all events of default. Within thirty (30) days from its receipt of the notice of termination, Lender shall have the option to obtain a new lease for the Premises by providing Landlord with written notice of its desire to exercise such option. Upon Landlord's receipt of such notice, Landlord shall enter into a new lease for the Premises with Lender which shall:

(i) Commence as of the date of the termination of the Lease, and shall be effective for the remainder of the Term, and contain all of the terms and conditions that were set forth in the Lease, including, but not limited to, those pertaining to rental payments; and

(ii) Require the tenant under the new lease to cure any monetary events of default under the terminated Lease.

Landlord shall promptly take all actions necessary to evict Tenant or any other unauthorized party from the Premises and, subject to the rights of any sublessee, shall provide the tenant under the new lease with the sole and exclusive possession of the Premises upon execution of the new lease.

16.4 In the event of a termination of the Lease prior to the expiration of the Term and either (i) there exists no Lender, or (ii) the Lender does not elect to exercise its option in Section 16.3 above, then Landlord, (x) within thirty (30) days prior to the termination of the Lease if there is no Lender, or (y) within five (5) days subsequent to the expiration or waiver of Lender's option as described in Section 16.3 above if there is a Lender, shall serve upon any sublessee written notice of such termination, together with a statement of any and all sums which would be due under the Lease as of the date of notice (but for the termination of the Lease) and a description of any and all events of default. Within thirty (30) days from its receipt of notice of termination, the sublessee shall have the option to obtain a new lease for the Premises by providing with written notice of its desire to exercise such option. Upon Landlord's receipt of such notice, Landlord shall enter into a new lease for the Premises with the sublessee which shall (a) commence as of the day of the termination of the Lease and shall be effective for the remainder of the term of the sublease and contain all of the terms and conditions that were set forth in a sublease agreement between Tenant and such sublessee, including, but not limited to, those pertaining to rental payments and options to renew the term of the sublease, and (b) require the subtenant under the new lease to cure any monetary events of default under the terminated Lease.

Landlord shall promptly take all take action necessary to evict Tenant or any other unauthorized party from the Premises, and shall provide sublessee with the sole and exclusive possession of the Premises upon execution of the new lease.

16.5 For the benefit of any Lender, Landlord agrees, subject nevertheless to all of the terms, covenants, agreements, provisions, conditions and limitations contained in this Lease, not to accept a voluntary surrender of this Lease at any time during which Lender shall hold an outstanding mortgage, deed to secure debt or other security interest.

16.6 Landlord and Tenant hereby acknowledge and agree that any Lender and any sublessee is an intended third party beneficiary of this Section 16.

17. First Refusal. Landlord and its assigns and successors in title do by these presents bind themselves not to sell or convey the Premises or otherwise transfer the same to any person or entity during the Term except as provided in this Section 17. Tenant is herein granted the right to purchase the Premises upon equal terms to any bona fide offer Landlord intends to accept. Landlord, upon receipt of a bona fide offer for purchase of the Premises which Landlord intends to accept, shall promptly give written notice thereof to Tenant in writing setting forth the proposed terms and provisions of the sale including the purchase price, terms of payment, and such additional information as may be needed by Tenant to obtain a full understanding of the terms of the proposed sale. Tenant shall have a period of thirty (30) days subsequent to receipt of such notice within which to exercise in writing its option to purchase the Premises upon the same terms, covenants, and conditions as those set forth in the original offer. Failure of Tenant to exercise such option within said thirty (30) day period of time shall terminate Tenant's option rights (so long as the sale pursuant to the bona fide offer is consummated on the terms provided to Tenant) and thereafter, Landlord shall be free to proceed with a sale of the Premises in accordance with the terms of the bona fide offer to purchase. The exercise of the option by Tenant shall be upon the same terms, covenants, and conditions as those set forth in the original offer. In the event Tenant fails to timely acquire the Premises in accordance with the original offer, Landlord shall have the right to terminate Tenant's option to purchase the Premises and thereafter the provisions of this Section 17 shall be waived as to all other bona fide offers received by Landlord with respect to the sale of the Premises. A sale by Landlord, subject to the terms hereof, shall not affect Tenant's rights to continue as a tenant under the terms of this Lease. If Landlord does not close the sale of the Premises pursuant to a bona fide offer which Tenant has elected not to accept, then Tenant's right of first refusal shall apply to any subsequent bona fide offer received by Landlord.

18. Representations and Warranties. With the understanding that Tenant shall rely hereon, and as a material inducement to Tenant to enter into this Lease, Landlord hereby represents, warrants and covenants to Tenant as follows:

18.1 Landlord is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas.

18.2 Landlord has the requisite limited partnership 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 Lease. All limited partnership actions required to be taken by Landlord to authorize the execution, delivery and performance of this Lease, have been duly and properly taken or obtained in accordance and in compliance with Landlord's partnership agreement. No other action on the part of Landlord or Landlord's partners (or other person's possessing and exercising similar control and authority over Landlord) is necessary to authorize the execution, delivery and performance of this Lease.

18.3 Landlord's execution, delivery and performance of this Lease and will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of Landlord's partnership agreement; (ii) violate or conflict with any provision of any law to which Landlord is subject; (iii) violate or conflict with any judgment, order, writ or decree of

any court applicable to Landlord; (iv) result in or cause the creation of a lien on the Premises; 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 indenture, mortgage, deed of trust, contract, agreement or other instrument to which Landlord is a party or by which Landlord or the Premises is bound.

18.4 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 Landlord in connection with the execution, delivery and performance of this Lease.

18.5 Landlord is the sole and exclusive owner of the simple title to the Premises free and clear of any and all liens, encumbrances, restrictions or easements of any kind whatsoever and any adverse claims of third parties.

18.6 There are no tenants with respect to the Premises or other parties which have a possessory right to the Premises.

18.7 (a) No governmental entity or any nongovernmental third party has notified Landlord, or to Landlord's knowledge, any other party, of any alleged violation or investigation of any suspected violation under the Environmental Laws (hereinafter defined) in connection with the ownership of the Premises, 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 (hereinafter defined). To Landlord's knowledge, the Premises is in full compliance with the Environmental Laws.

(b) To the knowledge of Landlord, no Hazardous Materials have been stored, disposed of or arranged for the disposal on the Premises, except in compliance with the Environmental Laws and Landlord has not and will not install any underground storage tanks at, on or under the Premises.

(c) To the knowledge of Landlord, there have been no actions, 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 the Premises that could form the basis of any Environmental Claim (hereinafter defined) against Landlord or Tenant;

(d) Landlord has not contractually assumed or succeeded to any liability of any direct or indirect predecessors or any other person related or with respect to any Environmental Law.

(e) To the knowledge of Landlord, there are no conditions presently existing on, at or emanating from the Premises that may result in any liability, investigation or clean-up cost under any Environmental Law.

(f) For purposes of this Lease:

> "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 or operated by the Landlord, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.
>
> "Environmental Law" means 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, 49 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq., the Clean Air Act, 42 U.S.C. Sections 741 et seq., the Clean Water Act, 33 U.S.C. Section 7401, et seq.,

the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

"Hazardous Materials" means 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 Environmental Law.

18.8 There is no suit, action, proceeding, inquiry or investigation against or involving Landlord or any of its properties or rights, pending or, to the knowledge of Landlord 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 to the knowledge of Landlord are there any facts which might result in or form the basis of any such claim. 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 Landlord and Landlord 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 Landlord, threatened which questions or challenges Landlord's title and ownership of the Premises, or which questions or challenges the validity of this Lease or any action taken or to be taken by Landlord pursuant to this Lease, and there is no basis for any such claim.

18.9 There are no service, supply or management agreements which relate to or affect the Premises.

19. Brokerage Commission. Each of the parties hereto represents and warrants to the other that it has not caused any broker to be entitled to a fee or commission by reason of this Lease. Each party agrees to hold the other party harmless and to indemnify the other party from and against the claims of any other broker for a commission resulting form the acts of the indemnifying party.

20. Notice. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Lease shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Landlord: North Cypress Property Holdings, Ltd.
6830 North Eldridge Parkway, Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D.
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to: Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attention: Frank T. Sossi, Esq.
Phone: (330) 253-1804
Fax: (330) 253-1813

Petronella Law Firm, P.C.

8 Greenway Plaza, Suite 606
Houston, Texas 77046
Attention: Richard Petronella, Esq.
Phone: (713) 965-0606
Fax: (713) 965-0676

(b) if to Tenant: MPT of North Cypress, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.
Executive Vice President & General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to: Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

Rejection or other refusal by the addressee to accept, or the inability of the courier service or the United States Postal Service to deliver because of a changed address of which no notice was given, shall be deemed to be receipt of the notice sent. Any party shall have the right, from time to time, to change the address to which notices to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address

21. Quiet Enjoyment. Subject only to the terms of this Lease, so long as Tenant is not in default in the performance of its obligations under this Lease, Landlord covenants that Tenant shall and may at all times during the Term hold and have the quiet and peaceful enjoyment of the Premises and the sole and exclusive possession of the Premises without objection or interference from Landlord or any party claiming under Landlord.

22. Estoppel Certificate. From time to time, each party hereto, on or before the date specified in a request therefor made by the other party, which date shall not be earlier than ten (10) days from the making of such request, but not more than three (3) times per calendar year, shall execute, acknowledge and deliver to the other party a certificate evidencing whether or not (i) this Lease is in full force and effect; (ii) this Lease has been amended in any way; and (iii) there are any existing defaults on the part of either party hereunder, to the knowledge of such other party, and specifying the nature of such defaults, if any; (iv) stating the date to which rent and other amounts due hereunder, if any, have been paid; and (v) such other matters as may reasonably be requested by such party. Each certificate delivered pursuant to this Section 22 may be relied on by the addressee thereof and any prospective transferee of Landlord's or Tenant's interest hereunder and any lender of Landlord or Tenant.

23. Miscellaneous.

23.1 This Lease shall inure to the benefit of and is binding on the permitted successors and assigns of the Landlord and the successors and assignee of Tenant.

23.2 This Lease Agreement, upon execution by all parties hereto, shall become effective as of, and the "date of this Lease" or "date hereof" wherever used herein shall mean, June 1, 2005.

23.3 This Lease, and all terms and conditions herein, shall not be subject or subordinate to any mortgages, deeds of trust and deeds to secure debt, placed by Landlord upon the Premises.

23.4 This Lease shall be governed by and interpreted in accordance with the laws of the State of Texas, without regard to the principles of conflicts of laws.

23.5 This Lease is the entire agreement between the parties and no modification thereof shall be made except in writing, signed by the parties.

23.6 A memorandum of this Lease shall be executed by Landlord and Tenant simultaneously with the execution of this Lease and either party may record the memorandum in the appropriate records of Harris County, Texas.

23.7 If Tenant remains in possession of the Premises after expiration of the Term, Tenant shall be a tenant at will at a rental rate equal to 125% of the rate in effect at the end of the Term; and there shall be no renewal of this Lease by operation of law.

23.8 At the expiration or earlier termination of the Term, Tenant shall surrender possession of the Premises and any improvements thereon owned by Tenant to Landlord. All personal property located on the Premises is the property of Tenant and may be removed by Tenant from the Premises on or prior to the expiration of the Term.

23.9 The titles or headings of the various Sections and subsections of this Lease are intended solely for convenience of reference, and are not intended to modify, explain or place construction upon any provision of this Lease in any way whatsoever.

23.10 This Lease may be executed in any number of counterparts, and each of such counterparts for all purposes shall be deemed to be an original, and all of such counterparts shall constitute one and the same Lease.

23.11 TIME IS OF ESSENCE OF THIS LEASE.

IN WITNESS WHEREOF, Landlord and Tenant have cause their incumbent and duly authorized representatives to execute this lease effective as of June 1, 2005.

LANDLORD:

NORTH CYPRESS PROPERTY HOLDINGS, LTD., a Texas limited partnership

By: North Cypress Property Holdings GP, LLC, a Texas limited liability company, its general partner

By: /s/ Robert A. Behar, M.D.

Robert A. Behar, M.D., Chairman of the Board

TENANT:

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By: /s/ Edward K. Aldag, Jr.

Print Name: Edward K. Aldag, Jr.
Title: President & CEO

EXHIBIT "A"

DESCRIPTION OF THE LAND

METES AND BOUNDS DESCRIPTION
PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT
12.985 NET ACRES
Revised June 7, 2005

All that certain 13.958 acre (608,019 square foot) tract of land situated in the W. H. Gentry Survey, Abstract Number 295 and in the William Jones Survey, Abstract Number 489, both in Harris County, Texas, being out of and a part of a called 13.5055 acre tract of land as described by deed recorded under Harris County Clerk's File Number Y175041 and a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod with plastic cap stamped "BENCHMARK ENGR" set in the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) at the most southerly corner of the residue of a tract of land as described in a conveyance to Frank Robert Kukral, Supreme Lodge of Slavonic Benevolent Order of the State of Texas tract by deed recorded in Volume 3703, Page 68 of the Harris County Deed Records for the most westerly corner of said 13.5055 acre tract, from which a 5/8-inch iron rod found bears South 09 degrees 30' 17" East, a distance of 1.56 feet;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 13.5055 acre tract, a distance of 381.03 feet to the POINT OF BEGINNING and being the most westerly corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, continuing along the northwesterly line of said 13.5055 acre tract, a distance of 418.26 feet to an exterior corner of the herein described tract;

THENCE, South 54 degrees 00' 08" East, a distance of 474.00 feet to the beginning of a curve to the left;

THENCE, southeasterly, a distance of 140.10 feet along the arc of said curve to the left having a radius of 336.00 feet through a central angle of 23 degrees 53' 23" and a chord that bears South 64 degrees 35' 08" East, a distance of 139.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 30.07 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 10 degrees 19' 55" and a chord that bears South 71 degrees 21' 52" East, a distance of 30.03 feet to the point of reverse curvature of a curve to the left;

THENCE, northeasterly, a distance of 37.36 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 76 degrees 27' 08" and a chord that bears North 75 degrees 34' 31" East, a distance of 34.65 feet to the point of tangency of said curve;

THENCE, North 37 degrees 20' 57" East, a distance of 40.04 feet to an interior corner of the herein described tract;

THENCE, North 52 degrees 38' 34" West, a distance of 9.81 feet to a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract for an exterior corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 19.855 acre tract, a distance of 223.69 feet to a 5/8-inch iron rod found for an angle point of said 10.00 acre tract, said 19.855 acre tract and the herein described tract;

THENCE, North 87 degrees 37' 41" East, along the north line of said 19.855 acre tract, a distance of 413.32 feet to a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast corner of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 for the northeast corner of said 19.855 acre tract and the herein described tract;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to an exterior corner of the herein described tract;

THENCE, South 86 degrees 39' 10" West, a distance of 250.74 feet to the beginning of a curve to the left;

THENCE, northwesterly, a distance of 23.43 feet along the arc of said curve to the left having a radius of 15.00 feet through a central angle of 89 degrees 28' 55" and a chord that bears North 47 degrees 26' 05" West, a distance of 21.12 feet to the point of tangency of said curve;

THENCE, South 87 degrees 49' 25" West, a distance of 71.75 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 119.81 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 50 degrees 28' 28" and a chord that bears South 62 degrees 35' 11" West, a distance of 115.97 feet to the point of tangency of said curve;

THENCE, South 37 degrees 20' 57" West, a distance of 171.52 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 38.43 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 78 degrees 38' 20" and a chord that bears South 01 degrees 58' 13" East, a distance of 35.48 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 48.88 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 16 degrees 47' 36" and a chord that bears South 32 degrees 53' 36" East, a distance of 48.71 feet to the point of reverse curvature of a curve to the left;

THENCE, southeasterly, a distance of 70.04 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 29 degrees 30' 24" and a chord that bears South 39 degrees 15' 00" East, a distance of 69.27 feet to the point of tangency of said curve;

THENCE, South 54 degrees 00' 12" East, a distance of 13.04 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 28.21 along the arc of said curve to the left having a-radius of 86.00 feet through a central angle of 18 degrees 47' 38" and a chord that bears South 63 degrees 24' 01" East, a distance of 28.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 103.49 feet along the arc of said curve to the right having a radius of 54.50 feet through a central angle of 108 degrees 47' 38" and a chord that bears South 18 degrees 24' 01" East, a distance of 88.62 feet to the point of tangency of said curve;

THENCE, South 35 degrees 59' 48" West, a distance of 119.12 feet to the point of

curvature of a curve to the left;

THENCE, southwesterly, a distance of 77.35 feet along the arc of said curve to the left having a radius of 112.00 feet through a central angle of 39 degrees 34' 10" and a chord that bears South 16 degrees 12' 43" West, a distance of 75.82 feet to the point of reverse curvature of a curve to the right;

THENCE, southwesterly, a distance of 85.39 along the arc of said curve to the right having a radius of 48.00 feet through a central angle of 101 degrees 55' 41" and a chord that bears South 47 degrees 23' 29" West, a distance of 74.57 feet to the point of reverse curvature of a curve to the left;

THENCE, southwesterly, a distance of 21.93 along the arc of said curve to the left having a radius of 20.00 feet through a central angle of 62 degrees 49' 24" and a chord that bears South 66 degrees 56' 37" West, a distance of 20.85 feet to the point of tangency of said curve;

THENCE, South 35 degrees 31' 55" West, a distance of 81.68 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 12.07 along the arc of said curve to the left having a radius of 18.00 feet through a central angle of 38 degrees 25' 39" and a chord that bears South 16 degrees 19' 05" West, a distance of 11.85 feet to the end of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 13.90 feet to an exterior corner of the herein described tract;

THENCE, North 75 degrees 46' 46" West, a distance of 1.78 feet to the point of curvature of a curve to the right;

THENCE, northwesterly, a distance of 14.05 feet along the arc of said curve to the right having a radius of 110.00 feet through a central angle of 07 degrees 19' 12" and a chord that bears North 72 degrees 07' 10" West, a distance of 14.04 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 42.41 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 45.27 feet along the arc of said curve to the left having a radius of 150.00 feet through a central angle of 17 degrees 17' 31" and a chord that bears South 27 degrees 23' 35" West, a distance of 45.10 feet to the point of tangency of said curve;

THENCE, South 18 degrees 44' 49" West, a distance of 169.30 feet to a point in the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) and being on the arc of a curve to the right at the most southerly corner of the herein described tract;

THENCE, northwesterly, along said northerly right-of-way line a distance of 8.72 feet along the arc of said curve to the right having a radius of 477.47 feet through a central angle of 01 degrees 02' 47" and a chord that bears North 70 degrees 43' 47" West, a distance of 8.72 feet to a Texas Department of Transportation monument found at the point of tangency of said curve;

THENCE, North 70 degrees 12' 24" West, continuing along said northerly right-of-way line, a distance of 13.91 feet to a Texas Department of Transportation monument found at the point of curvature of a curve to the right;

THENCE, northwesterly, continuing along said northerly right-of-way line a distance of 436.10 feet along the arc of said curve to the right having a radius of 2,694.79 feet through a central angle of 09 degrees 16' 20" and a chord that bears North 65 degrees 34' 13" West, a distance of 435.63 feet to an exterior corner of the herein described tract;

THENCE, North 28 degrees 41' 36" East, a distance of 35.02 feet to the point of curvature of a curve to the left;

THENCE, northeasterly, a distance of 17.75 feet along the arc of said curve to the left having a radius of 63.00 feet through a central angle of 16 degrees 08' 24" and a chord that bears North 20 degrees 37' 25" East, a distance of 17.69 feet to the point of reverse curvature of a curve to the right;

THENCE, northeasterly, a distance of 46.03 feet along the arc of said curve to the right having a radius of 112.50 feet through a central angle of 23 degrees 26' 36" and a chord that bears North 24 degrees 16' 31" East, a distance of 45.71 feet to the point of tangency of said curve;

THENCE, North 35 degrees 59' 48" East, a distance of 141.39 feet to the point of curvature of a curve to the right;

THENCE, northeasterly, a distance of 21.07 feet along the arc of said curve to the right having a radius of 37.50 feet through a central angle of 32 degrees 11' 39" and a chord that bears North 52 degrees 05' 38" East, a distance of 20.79 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 00' 12" West, a distance of 69.48 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 00' 04" West, a distance of 4.37 feet to an exterior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 186.81 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 15.94 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 40.00 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 98.56 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 235.19 feet to the POINT OF BEGINNING and containing a computed area of 13.958 acres (608,019 square feet) land. SAVE AND EXCEPT the following described tract;

SAVE AND EXCEPT TRACT

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract;

THENCE, South 37 degrees 21' 26" West, along the southeasterly line of said 13.5055 acre tract and along the northwesterly line of said 19.855 acre tract, a distance of 553.87 feet to a point;

THENCE, South 52 degrees 38' 34" East, a distance of 28.91 feet to the POINT OF BEGINNING and being an angle point of the herein described;

THENCE, North 76 degrees 11' 04" East, a distance of 35.74 feet to an angle POINT;

THENCE, South 53 degrees 58' 04" East, a distance of 117.23 feet to an exterior corner OF the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 30.50 feet to an interior corner of the herein described tract;

THENCE, South 53 degrees 58' 04" East, a distance of 5.52 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 252.00 feet to the most southerly corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 34.80 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears South 81 degrees 01' 56" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 16.00 feet to an exterior corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 90.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 15.50 feet to the point of curvature of a curve to the left;

THENCE, northwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears North 08 degrees 58' 04" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, North 53 degrees 58' 04" West, a distance of 15.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 255.68 feet to the POINT OF BEGINNING and containing a computed area of 0.973 of one acre (42,392 square feet) land, resulting in a net acreage of 12.985 acres (565,627 square feet) of land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT" prepared by Benchmark Engineering Corporation, Job Number 03112.

EXHIBIT "B"

RULES, REGULATIONS AND RESTRICTIONS

OPERATIONS AND USE

NAME OF CAMPUS

1. The name of the Campus is North Cypress Medical Center Campus and the name may not be changed without prior written consent of all the Parties.

PERMITTED USES

2. Subject to the limitations set forth in this Article, the Campus may be used only for the development, construction, leasing, operation, and maintenance of hospitals, professional office buildings, medical services, retail business establishments and related facilities (such as the Common Areas) customarily located in a first class medical Campus.

PROHIBITED NUISANCES

3. No Party may conduct or permit any activity or use on its Parcel that:

(a) Constitutes a private or public nuisance.

(b) Emits any noise or sound that is objectionable due to intermittence, loudness, frequency, beat, or pitch.

(c) Emits any obnoxious odor.

(d) Involves the use of any noxious, toxic, hazardous, or corrosive chemical, fuel, gas, or other substance, except in the Hospital Areas where such substances may be used in connection with the provision of medical services or in the operation of the hospital in the Hospital Areas.

(e) Produces dust or dirt.

(f) Involves a risk of fire, explosion, or other dangerous hazard.

(g) Involves the burning or incineration of garbage or refuse.

(h) Violates a law, ordinance, or regulation of any governmental agency.

PROHIBITED OPERATIONS AND USES

4. No Parcel may be used for any of the following:

(a) Storage or warehousing, except by a retail establishment for temporary storage of goods intended for sale at its establishment, or by a hospital for temporary storage of goods intended for use in the operation of the hospital.

(b) Manufacturing, industrial, or residential uses.

(c) Displaying merchandise in Common Areas.

(d) Entertainment or recreational uses which include, but are not limited to: bowling alleys; skating rinks; theaters; video or other game arcades; health spas (except in the Hospital Areas), studios, gyms, night clubs; massage parlors; pool or billiard halls; pornographic or sexually oriented stores, materials including books, videos, films, discs or sex performances, and card rooms.

(e) Educational, training, or instructional uses, such as beauty schools, barber colleges, business or technical colleges, or other facilities oriented toward students or trainees rather than customers), provided nothing in this subparagraph shall be deemed to prohibit a hospital from being a teaching hospital.

FAST-FOOD USES

5. "Fast-food" establishments are permitted on the Campus.

RESTAURANT USES

6. Restaurants are permitted in the Campus subject to the following conditions:

(a) The restaurant is located in the Commercial Areas.

(b) A restaurant is located in the Hospital Areas as an accessory use to the operation of the Hospital Areas.

(c) An Occupant operating a restaurant must, at the Occupant's sole cost and expense, keep the Common Areas at all times free of trash and debris generated by the restaurant and its customers. No portion of this cost may be included in the Common Area Maintenance Costs.

(d) A lease to an Occupant operating a restaurant must contain provisions incorporating the preceding requirements.

RULES AND REGULATIONS

7. The Parties may from time to time adopt Rules and Regulations pertaining to the use of all Common Areas and other areas of the Campus by Occupants and Users, provided that no rule or regulation shall abrogate or modify the rights granted to any Party under this Agreement. Moreover, all Rules and Regulations apply equally and without discrimination to all Owners, Users and Occupants. As part of its obligations to manage, operate, and maintain the Campus, the Owner must enforce these Rules and Regulations with respect to the Owner's Parcel. No portion of the Common Areas may be used for commercial purpose by an Occupant or User except as permitted by this Agreement or by the Rules and Regulations.

SIGNS

8. The regulations and restrictions for posting signs in Commercial Areas of the Campus are:

No sign, symbol, advertisement, or billboard may be constructed, used, maintained, erected, posted, displayed, or permitted on or about any portion of the Campus except as expressly allowed as follows

(a) One storefront, establishment name sign may be used for each retail establishment in the Campus provided that such sign:

(i) Identifies the name, business, or symbol of the establishment.

(ii) Does not advertise any particular item of merchandise (other than as may be contained in the store's trade name).

(iii) Is harmonious with the general exterior architectural style of the buildings in the Campus.

(iv) Is of a type, size, and design commonly found in first class regional centers.

(v) Complies with the dimensional, floor level elevation, location, and style of lettering specifications approved by the Project Architect. The Project Architect has approved the foregoing signage specifications for the construction of the hospital in the Hospital Areas.

(vi) Otherwise complies with the sign criteria and requirements established in this document.

(vii) Has been approved by the Project Architect.

9. The regulations and restrictions for posting signs in the Hospital Areas of the Campus are those which have been approved by the Project Architect (hereinafter defined).

SOUND AND LIGHT PROJECTIONS

10. No Occupant may operate or maintain any system or electronic device (such as loudspeakers or search lights) that projects sound or light beyond the confines of the Occupant's retail establishment. A sound system for the Campus as a whole, if approved by the Parties, may be installed for general promotional purposes.

EXHIBIT 10.41

PURCHASE AND SALE AGREEMENT

BY AND BETWEEN

MPT OF NORTH CYPRESS, L.P.
("PURCHASER")

AND

NORTH CYPRESS MEDICAL CENTER
OPERATING COMPANY, LTD.
("SELLER")

DATED EFFECTIVE AS OF JUNE 1, 2005

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PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT is made and entered into as of the _____ day of June, 2005, but effective as of June 1, 2005, by and between MPT OF NORTH CYPRESS, L.P., ("Purchaser"), a Delaware limited partnership, and NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD. ("Seller"), a Texas limited partnership.

W I T N E S S E T H:

WHEREAS, North Cypress Property Holdings, Ltd. ("Hospital Tract Owner") is the owner of that certain parcel of real property located in Harris County, Texas and being more particularly described on EXHIBIT "A" attached hereto and by this reference made a part hereof (the "Hospital Tract");

WHEREAS, Northern Healthcare Land Ventures, Ltd. ("Northern Healthcare"), an affiliate of the Hospital Tract Owner, is the owner of that certain parcel of real property located adjacent to the Hospital Tract and consisting of approximately 1.8 acres and being more particularly described on EXHIBIT "B" attached hereto and by this reference made a part hereof (the "Northeast Parking Parcel");

WHEREAS, Hospital Tract Owner and Purchaser, of even date, have entered into that certain Net Ground Lease (Hospital Tract) pursuant to which Purchaser has leased from Hospital Tract Owner the Hospital Tract;

WHEREAS, Northern Healthcare and Purchaser, of even date, have entered into that certain Net Ground Lease (Northeast Parking Parcel) pursuant to which Purchaser has leased from Northern Healthcare the Northeast Parking Parcel;

WHEREAS, Purchaser has subleased the Hospital Tract to Seller pursuant to that certain Sublease Agreement (Pre-Construction) dated of even date herewith;

WHEREAS, Hospital Tract Owner and Purchaser, of even date herewith have entered into that certain Contract for Purchase and Sale of Real Property, pursuant to which Hospital Tract Owner shall sell to Purchaser and Purchaser shall purchase from Hospital Tract Owner the Hospital Tract;

WHEREAS, of even date herewith, Seller and MPT Finance Company, LLC ("Lender") have consummated a construction loan, the proceeds of which shall be utilized by Seller for construction of the Hospital Improvements;

WHEREAS, Seller shall construct the Hospital Improvements in accordance with and pursuant to the terms of the Construction Loan Agreement; and

WHEREAS, Purchaser intends to acquire from Seller and Seller intends to sell to Purchaser the Hospital Improvements, all in accordance with the terms and provisions herein contained.

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, Seller and Purchaser 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.

"Affiliate" shall mean, as to the Person in question, any Person that directly or indirectly controls, is controlled by, or is under common control with, the Person in question and any successors or assigns of such Persons; and the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Purchase and Sale Agreement, and all Exhibits and Schedules hereto, as amended from time to time in accordance with the terms of this Agreement.

"Appraisal" means an appraisal of the Hospital Improvements and an accompanying reliance letter expressly stating that Purchaser may rely thereon, each in form and substance, and prepared by a Person, satisfactory to Purchaser in its sole discretion.

"Assets" shall have the meaning set forth in Section 2.1 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" means the Seller's lease and operation of the Hospital and the engagement in and pursuit and conduct of any business ventures or activities reasonably related thereto.

"Business Contracts" shall have the meaning set forth in Section 4.13 hereof.

"Business Day" means 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.

"Claim" shall have the meaning set forth in Section 4.12 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.

"Confidentiality Agreement" shall have the meaning set forth in Section 7.3 hereof.

"Confidential Information" shall have the meaning set forth in Schedule 7.3 hereof.

"Construction Loan" means that certain loan from Lender to Seller in the original principal amount of Sixty-Four Million Twenty-Eight Thousand and No/100 Dollars ($64,028,000.00), the proceeds of which shall be utilized by Seller to construct the Hospital Improvements and which loan is evidenced, among other documents, by that certain Promissory Note, of even date herewith from Seller to Lender in the principal amount of Sixty-Four Million Twenty-Eight Thousand and No/100 Dollars ($64,028,000.00) (the "Note") and the Construction Loan Agreement.

"Construction Loan Agreement" shall mean that certain Construction Loan Agreement dated of even date herewith by and between Lender and Seller.

"Damages" means demands, claims, actions, losses, damages, liabilities, penalties, Taxes, costs and expenses (including, without limitation, attorneys' and accountants' fees, settlement costs, arbitration costs and any other reasonable expenses for investigating or defending any Claim or threatened Claim).

"Defaulting Party" shall have the meaning set forth in Section 8.3 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 or operated by the Seller or any Affiliate of the Seller, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" means 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, 49 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq., the Clean Air Act, 42 U.S.C. Sections 741 et seq., the Clean Water Act, 33 U.S.C. Section 7401, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

"Equity Constituents" means, with respect to any Person, as applicable, the members, general and/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.

"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 equipment, machinery, fixtures, and other items of real and/or personal property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Hospital, 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 system, cable transmission, built-in 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 generally accepted accounting principles as consistently applied in the United States and 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, bylaws, limited partnership agreement, limited liability company agreement, stockholders' agreement or other documents or instruments which establish the rules, procedures and rights with respect to such Person' governance, and relations among such Person's Equity Constituents, 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, 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 4.16 hereof.

"Hazardous Materials" means any substance, including without limitation, asbestos or any substance containing asbestos and deemed hazardous under any Environmental 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 Environmental Law.

"Healthcare Fraud Laws" shall have the meaning set forth in Section 4.16(a) hereof.

"Hospital" means the general acute care hospital facility and related Hospital Improvements to be constructed on the Land.

"Hospital Improvements" means all buildings, improvements, structures and Fixtures, 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 and all other improvements constructed for use or used in connection with the Hospital.

"Hospital Tract" shall have the meaning set forth in the first "WHEREAS" clause.

"Hospital Tract Owner" shall have the meaning set forth in the first "WHEREAS" clause.

"Indebtedness" of any Person means, without duplication, (a) all liabilities and obligations, contingent or otherwise, of any 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 4.20 hereof.

"Knowledge" 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 designated, currently or formerly possessing and/or exercising similar authority with respect to such Person) (a Person's "Knowledge Group") has actual knowledge of such fact or matter; or (ii) any of such Person's Knowledge Group would reasonably be expected to discover or otherwise become aware of such fact or matter after conducting a reasonably diligent inquiry.

"Land" means, collectively, the Hospital Tract and the Northeast Parking Parcel.

"Law" means any federal, state or local statute, law, 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 mean that certain Lease Agreement to be entered into by Purchaser and the Seller at Closing, a copy of which is attached hereto as EXHIBIT "C".

"Lender" shall have the meaning set forth in the seventh "WHEREAS" clause of this Agreement.

"Lien" means any mortgage, 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, including the Construction Loan.

"Material Adverse Effect" means any changes, 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, reasonably be expected to have a material adverse effect on (i) Seller's business, properties, results of operations, assets, revenue, income, condition (financial or otherwise) or ability to timely satisfy its obligations or liabilities (whether

absolute or contingent), (ii) the Assets, or (iii) the conduct of the Business or Seller's ability to perform its obligations under, and/or consummate the transactions contemplated by, this Agreement within the time periods specified herein.

"Medicaid" shall mean the medical assistance program established by the State under Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

"Medicare" shall mean 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.

"Non-Prevailing Party" means, with respect to any Claim between any of the parties to this Agreement, such party determined as the non-prevailing party by a court with proper jurisdiction.

"Northeast Parking Parcel" shall have the meaning set forth in the second "WHEREAS" clause.

"Northern Healthcare" shall have the meaning set forth in the second "WHEREAS" clause.

"Operational Date" means the date on which the construction of the Hospital is, in accordance with the terms of the Construction Loan Agreement, substantially complete.

"Ordinary Course of Business" means, with respect to any Person, any action that: (a) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person; (b) does not require authorization by the board of directors (or other Persons, however designated, possessing and/or exercising

similar authority with respect to such Person) or Equity Constituents of such Person and does not require any other special authorization of any nature; or (c) is similar in nature, scope and magnitude to actions customarily taken, without any special authorization, in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as such Person.

"Outside Closing Date" shall have the meaning set forth in Section 9.1 hereof.

"Permits" shall have the meaning set forth in Section 4.14 hereof.

"Person" means an individual, a corporation, a limited liability company, a general or limited partnership, an unincorporated association, a joint venture, a Governmental Entity or other entity or group.

"Physicians" shall have the meaning set forth in Section 4.8 hereof.

"Plan" shall have the meaning set forth in Section 2.1 hereof.

"Purchase Price" shall have the meaning set forth in Section 3.1 hereof.

"Purchaser" shall have the meaning set forth in the Preamble to this Agreement, its successors and assigns.

"Purchaser Indemnified Parties" shall have the meaning set forth in Section 12.1 hereof.

"Purchaser Instruments" shall have the meaning set forth in Section 5.2 hereof.

"Purchaser Parties' Indemnity Period" shall have the meaning set forth in Section 12.4(b) hereof.

"Purchaser's Closing Conditions" shall have the meaning set forth in Section 8.2 hereof.

"Search Reports" means reports of searches made of the uniform commercial code records of the county in which the Land is located, and of the office of the secretary of state of the state in which the Land is located and in the state in which the principal office of the Seller is located.

"Seller" shall have the meaning set forth in the Preamble to this Agreement.

"Seller Indemnified Parties" shall have the meaning set forth in Section 12.2 hereof.

"Seller Instruments" shall have the meaning set forth in Section 4.2 hereof.

"Seller's Indemnity Period" shall have the meaning set forth in Section 12.4(a) hereof.

"Service Provider" means any Person who has rendered or is rendering services to or on behalf of Seller.

"Special Purpose Entity" means an entity which (i) exists solely for the purpose of owning and/or leasing all or any portion of the Hospital Improvements 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 Hospital Improvements 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 which it owns in the Hospital Improvements 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 Business and does not guarantee or otherwise obligate itself with respect to the debts of any other Person, (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, limited partnership or limited liability company formalities independent of any other entity.

"Survey" shall have the meaning set forth in Section 6.1 hereof.

"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, alternative minimum, 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 7.3 hereof.

"Tax Treatment" shall have the meaning set forth in Section 7.3 hereof.

"Tenant" means the lessees or tenants under the Tenant Leases, if any.

"Tenant Leases" shall have the meaning set forth in Section 4.10(f) hereof.

"Third Party Claim" shall have the meaning set forth in Section 12.3(a) hereof.

"Title Company" means the title insurance company licensed in the state in which the Land is located and selected by Purchaser, in its sole discretion, to issue a title policy or endorsement with respect to the transaction contemplated hereby.

"Warranty Period" shall have the meaning set forth in Section 2.3 hereof.

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 preamble, recitals, 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). References to any party to this Agreement shall include references to its respective successors and permitted assigns. References to a judgment shall include references to any order, writ, injunction, decree, determination or award of any court or tribunal. References to any law are references to that law as of the Closing Date, unless clearly indicated otherwise, and shall also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. 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

SECTION 2.1 PURCHASE AND SALE OF ASSETS. Based upon the representations and warranties of Seller as set forth herein, and subject to the terms and conditions hereof, at the Closing, Seller, in consideration of the payment of the Purchase Price in accordance with Section 3.1, shall grant, sell, assign, transfer, convey and deliver to Purchaser and Purchaser shall purchase and acquire from Seller, free and clear of all Liens, other than Permitted Encumbrances, the following assets of Seller (collectively, the "Assets"):

(a) the Hospital Improvements;

(b) all warranties, guarantees, contracts, claims and other intangibles relating to the Hospital Improvements, including, without limitation, those matters listed on SCHEDULE 2.1 attached hereto (collectively, the "Contracts"); and

(c) all plans and specifications, permits and approvals relating to the Hospital Improvements and the construction thereof, including, without limitation, those matters listed on SCHEDULE 2.1 (collectively, the "Plans")

SECTION 2.2 NO ASSUMPTION OF LIABILITIES. Notwithstanding anything in this Agreement to the contrary, Purchaser shall not assume or agree to pay, satisfy, discharge or perform, and or 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, and shall not be liable for, any liability, obligation, contract or Indebtedness of Seller, any Affiliate of Seller 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 the Assets prior to Closing, any liability or obligation arising out of or related to any breach, default, tort or similar act committed by Seller or any Affiliate of Seller or for any failure of Seller or any Affiliate of Seller to perform any covenant or obligation for or during any period prior to Closing (collectively, the "Excluded Liabilities"). Purchaser, pursuant to this Agreement, shall not assume or otherwise be deemed to have any obligations under the Tenant Leases, either during the term of this Agreement or subsequent to Closing and Seller hereby indemnifies and holds harmless Purchaser from and against any Claims arising or accruing from or with respect to the Tenant Leases.

SECTION 2.3 WARRANTY. Seller hereby warrants to Purchaser the construction of the Hospital Improvements for a period of one (1) year subsequent to the Closing Date (the "Warranty Period"). If at any time during the Warranty Period, Purchaser discovers a defect in the construction of all or any part of the Hospital Improvements, Purchaser shall give notice to Seller of such defect and Seller, at its sole cost and expense, immediately shall repair, to Purchaser's satisfaction, such defect. Purchaser, prior to the expiration of the Warranty Period, shall have the right to conduct a walk through inspection of the Hospital Improvements and may provide to Seller a list of any defects discovered in such walk through. Seller, at its sole cost and expense, immediately shall repair, to Purchaser's satisfaction, all defects set forth in Purchaser's list. The provisions of this Section 2.3 shall survive Closing.

ARTICLE III
PURCHASE PRICE

SECTION 3.1 PURCHASE PRICE. The purchase price for the Assets shall be equal to the total costs incurred by Seller in connection with the acquisition, development and construction of the Hospital Improvements as determined under and pursuant to the Construction Loan Agreement and as approved by Lender (the "Purchase Price"). Subject to the terms and conditions hereof, at Closing, Purchaser shall pay the Purchase Price to Seller via transfer of immediately available federal funds to an account specified in writing by Seller not less than three (3) Business Days prior to the Closing Date.

SECTION 3.2 TAXES, RENTALS, UTILITIES. The parties acknowledge that all utility charges and all real and personal property Taxes related to the Assets and the Hospital shall be the responsibility of Seller pursuant to the terms of the Lease.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SELLER

With the understanding that Purchaser shall rely hereon, and as a material inducement to the Purchaser to enter into this Agreement, Seller hereby represents, warrants and covenants to Purchaser as of the date hereof and as of the Closing Date as follows:

SECTION 4.1 ORGANIZATION. The Seller is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas and is duly qualified and registered as a foreign limited partnership in good standing under the laws of each jurisdiction in which the nature of the business conducted, or the assets owned, operated and/or leased, by Seller requires or makes such qualification or registration necessary. SCHEDULE 4.1 attached hereto sets forth the ownership of Seller and, except as set forth therein, no other Person has, and Seller has not offered to any Person, any equity interest in Seller or any option, warrant or other right to acquire the same. Seller is, and has, at all times since the date of its formation, been, a Special Purpose Entity.

SECTION 4.2 AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Seller has the requisite limited partnership 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, all documents and agreements necessary to give effect to the provisions of this Agreement, including the Lease, and to consummate the transactions contemplated hereby and thereby. All limited partnership actions required to be taken by Seller to authorize the execution, delivery and performance of this Agreement, and all other documents, agreements and instruments executed by Seller which are necessary to give effect thereto (collectively, the "Seller Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and in compliance with Seller's Governing Documents. No other action on the part of Seller or Seller's partners (or other Person's possessing and exercising similar control and authority over Seller) is necessary to authorize the execution, delivery and performance of this Agreement, the Lease, the Seller Instruments and all transactions contemplated hereby and thereby. This Agreement, the Seller Instruments and all agreements to which Seller will become a party hereunder, including the Lease, are and will constitute the valid and legally binding

obligations of Seller, and are and will be enforceable against Seller 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. Seller's execution, delivery and performance of this Agreement, the Lease and the Seller Instruments, and the consummation of the transactions contemplated hereby and thereby will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of Seller's Governing Documents; (ii) violate or conflict with any provision of any Law to which Seller or any of its Equity Constituents is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to Seller; (iv) result in or cause the creation of a Lien on the Assets; 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 indenture, mortgage, deed of trust, contract, agreement or other instrument to which Seller is a party or by which Seller or any of the Assets is bound.

SECTION 4.4 CONSENTS AND APPROVALS. 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 Seller in connection with the execution, delivery and performance of this Agreement, the Lease or the Seller Instruments, or the consummation of the transactions contemplated hereby or thereby.

SECTION 4.5 FINANCIAL STATEMENTS. SCHEDULE 4.5 sets forth (i) the unaudited balance sheet of Seller (the "Balance Sheet") on May 31, 2005 (the "Balance Sheet Date") and (ii) the unaudited statement of income and cash flows of Seller for the partial month ended May 31, 2005 (the financial statements described in

this sentence, being referred to herein 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 Seller and fairly present the financial condition and results of operations, cash flows and stockholders' or partners' equity of Seller as of the respective dates thereof and for the respective periods indicated therein, except (i) that the Financial Statements do not include complete note (including footnote) disclosure as required by GAAP; and (ii) that the Financial 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 NO UNDISCLOSED LIABILITIES. Seller has no liabilities or obligations, whether absolute, accrued, contingent or otherwise, including any potential future liability arising out of acts or omissions which have already occurred, which are not fully and accurately reflected or reserved against in the Balance Sheet except for liabilities or obligations that may have arisen in the Ordinary Course of Business 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 Seller has no Knowledge of any fact, condition or circumstance which could form the basis of any Claim in respect of any such liability or obligation.

SECTION 4.7 ABSENCE OF CHANGES. Since the Balance Sheet Date, Seller has:

(a) except as otherwise provided in this Agreement, conducted its business only in the Ordinary Course of Business;

(b) not suffered any change, event or circumstance which has had, or would be reasonably expected to have, a Material Adverse Effect;

(c) preserved its legal existence and retained its business organization intact;

(d) paid or satisfied all of its material debts, liabilities or obligations as the same became due;

(e) timely made all applicable filings with Governmental Entities;

(f) not mortgaged, pledged, subjected to Lien, charged, encumbered or granted a security interest in or to any of its assets (including, without limitation, any of the Assets) except to Lender in connection with the Construction Loan or to equipment lenders in conformance with the Construction Loan;

(g) not suffered any material damage, destruction or loss (whether or not covered by insurance) affecting any of its assets;

(h) not made or suffered any change to its Governing Documents;

(i) maintained its books and records in accordance with GAAP, consistent with past practices;

(j) not received any notice of any defections of or other problems related to its prospective medical staff; and

(k) not agreed or offered, whether in writing or otherwise, to take, and neither Seller nor its directors, officers or partners (or other Persons, however designated, exercising similar control or authority over Seller) or Equity Constituents have authorized the taking of, any action described in Section 4.7(a) through Section 4.7(j) above.

SECTION 4.8 PHYSICIANS. SCHEDULE 4.8 sets forth the names of all of the physicians who are Equity Constituents, directors or officers of Seller or who have been or are scheduled to be admitted to the staff of the Hospital (the "Physicians"). This information shall be kept confidential.

SECTION 4.9 TAXES. Seller has filed or caused to be filed all Tax Returns of Seller 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 Seller has paid or caused to be paid all Taxes for the periods covered by such Tax Returns, 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 Seller or the Business, any of the Assets or the other assets of Seller (other than for ad valorem taxes not yet due and payable), and (ii) no claims being asserted

in writing with respect to any Taxes relating to Seller, the Land, the Business, any of the Assets or any other assets of Seller for which Purchaser could be held liable, and there is no basis for the assertion of any such claim.

SECTION 4.10 TITLE AND CONDITION OF THE ASSETS.

(a) Seller, subject to any security interest which are held by lenders of Seller (which security interest will be satisfied on or before Closing), is or will be the sole and exclusive legal and equitable owner of the Assets and at Closing will have and convey to Purchaser good, absolute and marketable title to and unrestricted possession of the Assets, free and clear of any and all Liens, encumbrances, restrictions or easements of any kind whatsoever and any adverse Claims of third parties.

(b) Neither the sale of the Assets pursuant to this Agreement nor the construction and operation of the Hospital violates or will 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 Land, including, without limitation, any applicable zoning or subdivision ordinance or building code, flood disaster law or health and environmental law or regulation.

(c) There are existing, or Seller will install, water, sewer, gas and electricity lines, storm sewer and other utility systems adequate to serve the utility needs of the Hospital Improvements. As of the Closing Date, all of said utilities will be installed and operating, with all installation and connection charges having been paid in full.

(d) There are no Claims, actions, suits, proceedings or investigations pending or, to the Knowledge of Seller, threatened, against or affecting all or any portion of the Assets.

(e) SCHEDULE 4.10 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 Hospital Improvements or that otherwise assign or convey rights with regard to the Hospital Improvements (collectively referred to as the "Tenant Leases"). SCHEDULE 4.10 designates which of the Tenant Leases described therein are with the referral sources (as determined by any of the Healthcare Fraud Laws) of Seller and/or any of its Affiliates. SCHEDULE 4.10 specifies the rent and security deposit, if any, for each Tenant Lease. Seller has provided Purchaser with complete, correct and current copies of all Tenant Leases. Seller shall provide Purchaser prior to Closing Tenant Lease estoppels in form satisfactory to Purchaser from all Tenants under the applicable Tenant Leases. Except for the Tenant Leases, 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 Hospital Improvements.

SECTION 4.11 COMPLIANCE WITH ENVIRONMENTAL LAWS. (a) No Governmental Entity or any nongovernmental third party has notified Seller, or to Seller's Knowledge, any other party, of any alleged violation or investigation of any suspected violation under the Environmental Laws

in connection with the ownership or operation of the Hospital Improvements, 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. To Seller's Knowledge, the Land is in full compliance with the Environmental Laws;

(b) With respect to the ownership of the Hospital Improvements, to the Knowledge

of Seller, no Hazardous Materials have been stored, disposed of or arranged for the disposal thereon or therein, except in compliance with the Environmental Laws and Seller has not and will not install any underground storage tanks at, on or under the Land;

(c) To the Knowledge of Seller, there have been no actions, 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 Hospital Improvements that could form the basis of any Environmental Claim against Seller or Purchaser;

(d) Seller has not contractually assumed or succeeded to any liability of any direct or indirect predecessors or any other Person related or with respect to any Environmental Law; and

(e) To the Knowledge of Seller, there are no conditions presently existing on, at or emanating from the Hospital Improvements that may result in any liability, investigation or clean-up cost under any Environmental Law.

SECTION 4.12 LITIGATION. There is no suit, action, proceeding, inquiry or investigation (a "Claim") against or involving Seller or any of its properties or rights, pending or, to the Knowledge of Seller 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 to the Knowledge of Seller are there any facts which might result in or form the basis of any such Claim. 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 Seller and Seller 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 Seller, threatened which questions or challenges the validity of this Agreement or any action taken or to be taken by Seller pursuant to this Agreement or in connection with the transactions contemplated hereby, and there is no basis for any such Claim.

SECTION 4.13 CONTRACTS, OBLIGATIONS AND COMMITMENTS. SCHEDULE 4.13 attached hereto sets forth a list of all contractual agreements, whether written or oral, or relating to or affecting the assets or the operation of the Business to which Seller is a party (the "Business Contracts"). Seller has provided to Purchaser complete and correct copies of all of the Business Contracts. Except as set forth on SCHEDULE 4.13, (i) the Business Contracts are legally valid, binding and enforceable against Seller (and, to the best of Seller's 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 Seller, or to the best of Seller's Knowledge, any other party to the Business Contracts; (iii) Seller has not received written notice of any default, offset, counterclaim or

defense under any Business Contract; (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 Seller of the terms of any Business Contract; and (v) the Business Contracts are in compliance with Healthcare Fraud Laws.

SECTION 4.14 LICENSES. SCHEDULE 4.14 attached hereto sets forth a current, complete and accurate list of all licenses, permits, certificates of need and other authorizations of Governmental Entities (the "Permits") which will be required for the construction and development and operation of the Hospital and the conduct of the Business. Except as set forth in SCHEDULE 4.14, Seller possesses all such Permits, such Permits are in full force and effect and true and correct copies of such Permits have been delivered to Purchaser. No notice from any authority in respect to, as applicable, the threatened, pending or possible denial, revocation, termination, suspension or limitation of any of the Permits has been received by Seller and Seller has no Knowledge of any proposed or threatened issuance of any such notice or of any grounds which would form the basis for any such notice.

SECTION 4.15 ACCREDITATION; MEDICARE AND MEDICAID; THIRD PARTY PAYORS. Except as set forth on SCHEDULE 4.15 attached hereto, Seller will enroll and become a provider authorized to 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 Texas and the TRICARE/CHAMPUS programs (the "Government Programs"). Seller expects to receive Medicare or Medicaid reimbursement with respect to the Hospital and to be eligible to receive payment without restriction under Medicare and Medicaid. Neither Seller nor any Person who is either an officer or director of, or directly or indirectly owns an equity interest in, Seller, nor, to Seller's Knowledge, any Physician or Service Provider (i) has been excluded, suspended or debarred from, or otherwise ineligible for, participation in any Government Program including Medicare or Medicaid, or (ii) has been convicted of a criminal or civil offense related to conduct that would trigger an exclusion from any Government Program.

SECTION 4.16 HEALTHCARE REGULATORY MATTERS.(a) Except as described on SCHEDULE 4.16 attached hereto, none of Seller, or, to Knowledge of Seller, any Physician or Service Provider (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-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 ("Healthcare Fraud Laws") affecting Seller or the Business (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 described on SCHEDULE 4.16, neither Seller nor, to Seller's Knowledge, any Physician or Service Provider has ever been charged or implicated in any violation of any state

or federal statute or regulation involving false, fraudulent or abusive practices relating to its participation in state or federally sponsored reimbursement programs, including but not limited to false or fraudulent billing practices. None of Seller, or, to Seller's Knowledge, any Physician or Service Provider has 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 U.S.C. Section 1320a-3.

(c) The Physicians' investment in and ownership of Seller, if any, and the referral of patients to the Hospital and the Business by such Physicians do not and shall never violate any applicable Laws, including any Healthcare Fraud Law.

SECTION 4.17 HILL-BURTON OBLIGATIONS. Seller does not have any patient care or other obligations under the Federal Hill-Burton program with respect to the operation of the Hospital.

SECTION 4.18 MEDICAL STAFF MATTERS. Except as set forth in SCHEDULE 4.18 attached hereto, there are no pending or, to the Knowledge of Seller, threatened appeals, challenges, disciplinary or corrective actions, or disputes involving applicants to the medical staff of the Hospital. For confidentiality purposes, all persons identified on SCHEDULE 4.18 are identified by a Hospital-assigned number rather than name. True and correct copies of Medical Staff Bylaws of the Hospital, the Hospital's Medical Staff Rules and Regulations, and the Hospital's Medical Staff Hearing Procedures, all as proposed to be in effect following completion of the Hospital Improvements, have been previously delivered by Seller to Purchaser.

SECTION 4.19 COMPLIANCE WITH LAW. Seller (a) is in material 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 the Business and its ownership and use of its assets, and 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; and (b) has timely made or given all filings and notices required to be made by Seller with the regulatory agencies of any Governmental Entity.

SECTION 4.20 INTANGIBLE PROPERTY. A true and complete list of the trademarks, service marks, and other intangible assets of Seller to be used in the operation of the Hospital is set forth in SCHEDULE 4.20 attached hereto (the "Intangible Property"). Seller owns or possesses adequate, enforceable licenses or other rights to use all of the Intangible Property, and no rights thereto have been granted to others by Seller. Except as set forth in SCHEDULE 4.20, all of the Intangible Property is owned or used by Seller 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. Seller's use of the Intangible Property does not infringe upon or otherwise violate the rights of others. No one has asserted to Seller that its use of the Intangible Property infringes upon the patents, trade secrets, trade names, trademarks, service marks, copyrights or other intellectual property rights of any other Person.

SECTION 4.21 RECORDS. True and complete copies of Seller's Governing Documents have been delivered to Purchaser prior to the execution and delivery of this Agreement. The books of account, minute books, stock record books and other records of Seller, all of which have been made available to Purchaser are complete and correct. The minute books of Seller contain records of all meetings and other company actions of the directors (or other Persons, however designated, possessing and/or exercising similar authority and control over Seller) and Equity Constituents of Seller, and have been delivered to Purchaser prior to the execution and delivery of this Agreement.

SECTION 4.22 SUBSIDIARIES. Except as set forth on SCHEDULE 4.22 attached hereto, Seller owns no Subsidiaries.

SECTION 4.23 BROKERS. No Person is or will be entitled to any brokerage fee or commission in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

SECTION 4.24 REPRESENTATIONS COMPLETE. The representations and warranties made by Seller in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by Seller 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. The representations and warranties of Seller shall survive Closing for a period of one (1) year.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Purchaser hereby represents and warrants to Seller as of the date hereof and as of the Closing Date as follows:

SECTION 5.1 ORGANIZATION. Purchaser is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser is duly qualified as a foreign limited partnership in good standing under the laws of the jurisdiction(s) in which the nature of the business conducted, or the assets owned, operated and/or leased by Purchaser requires or makes such qualification necessary.

SECTION 5.2 AUTHORIZATION; ENFORCEMENT, ABSENCE OF CONFLICTS. Purchaser has, as applicable, the requisite limited partnership power and authority to conduct its respective businesses as they are now being conducted and as proposed to be conducted and to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, and to consummate the transactions contemplated hereby and thereby. All limited partnership actions required to be taken by Purchaser to authorize the execution, delivery and performance of this Agreement, as well as all other documents, agreements and instruments executed and delivered by Purchaser which are necessary to give effect thereto (all such other documents, agreements and instruments executed and delivered by Purchaser being referred to herein collectively as the "Purchaser Instruments") and all transactions contemplated hereby and thereby, have been duly and properly taken or obtained in accordance and compliance with, as applicable, Purchaser's Governing Documents. No other action on the part of Purchaser, or the partners thereof, is necessary to authorize the execution, delivery and performance of, as applicable, this Agreement, the Purchaser Instruments, and all transactions contemplated hereby and thereby. This Agreement and the Purchaser Instruments are and will constitute the valid and legally binding obligations of Purchaser, and are and will be enforceable against Purchaser, as applicable, in accordance with their respective terms, 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 5.3 ABSENCE OF CONFLICTS. The execution, delivery and performance of this Agreement by Purchaser, the execution, delivery and performance of the Purchaser Instruments by Purchaser, and the consummation of the transactions contemplated hereby and thereby 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 Purchaser; (ii) violate or conflict with any provision of any Law to which Purchaser is subject or (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to Purchaser.

SECTION 5.4 CONSENTS AND APPROVALS. 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 Purchaser in connection with the execution, delivery and performance of this Agreement, the Lease, or the consummation of the transactions contemplated hereby or thereby.

SECTION 5.5 LITIGATION. There is no Claim pending or, to the Knowledge of Purchaser, threatened against or affecting Purchaser that has had or would reasonably be expected to have a Material Adverse Effect on Purchaser's business, properties, assets, financial condition or ability to perform this Agreement or any aspect of the transactions contemplated hereby and, to the Knowledge of Purchaser, there is no basis for any such Claim. 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 Purchaser and Purchaser 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 Purchaser, threatened, which questions or challenges the validity of this Agreement or any action taken or to be taken by Purchaser pursuant to this Agreement or in connection with the transactions contemplated hereby, and there is no basis for any such Claim.

SECTION 5.6 POSSESSION OF PERMITS. Purchaser possess all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, and all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from burdensome restrictions, that are necessary for the ownership, maintenance and operation of any of their properties and assets, except where the failure to possess any of the foregoing would not prevent or impede Purchaser from consummating the transactions contemplated hereby.

SECTION 5.7 COMPLIANCE WITH LAW. Purchaser (a) is 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 its businesses, and its ownership and use of its assets, except where non-compliance would not prevent or impede Purchaser from consummating the transactions contemplated hereby or the ability of Purchaser to perform this Agreement and, to the Knowledge of Purchaser, 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 Purchaser from consummating the transactions contemplated hereby; (b) upon request from Seller, will execute a "business associates" contract to create compliance with the provisions of the Health Insurance Privacy and Portability Act of 1996 as it may apply to medical information; and (c) has timely made or given all filings and notices required to be made by Purchaser with the regulatory agencies of any Governmental Entity, except where such failure would prevent or impede Purchaser from consummating the transaction contemplated hereby.

SECTION 5.8 BROKERS. No Person is or will be entitled to any brokerage fee or commission in connection with or as a result of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

SECTION 5.9 REPRESENTATIONS COMPLETE. The representations and warranties made by Purchaser in this Agreement and the statements made in or information contained on any Schedules or certificates furnished by Purchaser 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 VI
TITLE AND SURVEY

SECTION 6.1 SURVEY. Within fifteen (15) Business Days prior to the Closing Date, Seller, at Seller's expense, shall deliver to Purchaser a current as-built ALTA/ACSM Land Title Survey of the Land, prepared by a duly licensed Texas land surveyor (the "Survey"). The Survey shall be currently dated, shall show the location on the Land of all 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 Land, and encroachments, and shall contain a legal description of the boundaries of the Land by metes and bounds and the appropriate flood zone designation and the total number of acres constituting the Land. The surveyor shall certify to Purchaser and to the Title Company that the Survey is 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 the Survey shall be legibly identified by appropriate volume and page recording references with dates of recording noted. If Purchaser shall disapprove the Survey for any reason in Purchaser's reasonable discretion, Purchaser 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 Seller is unable to cure any objection to the Survey within ten (10) days following delivery of notice to Seller thereof, then the Purchaser may terminate this Agreement upon written notice to Seller.

SECTION 6.2 TITLE INSURANCE. Purchaser will cause to be prepared, at Seller's expense, a title commitment to update the Purchaser's existing leasehold owner's policy of title insurance with respect to the Land from Title Company. All of the standard exceptions within the policy or title commitment and the exceptions for mechanic's and materialmen's liens and the survey exception shall be deleted. If Purchaser shall disapprove any items stated in the title update, Purchaser 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 Seller is unable to cure any exception or objection to title within ten (10) days following delivery of notice to Seller thereof, then Purchaser may terminate this Agreement upon written notice to Seller.

ARTICLE VII
PRE-CLOSING COVENANTS

From and after the execution and delivery of this Agreement to and including the Closing Date (unless a later date or time is specified), the applicable party shall observe the following covenants:

SECTION 7.1 NO SHOP. Neither Seller nor any investment banker, attorney, accountant, representative or other Person retained by or on behalf of Seller shall, directly or indirectly, initiate contact with, respond to, solicit or encourage any inquiries, proposals or offers by,

participate in any discussions or negotiations with, enter into any agreement with, disclose any information concerning Seller or Seller's assets to, afford any access to the properties, books or records of Seller to, or otherwise assist, facilitate or encourage, any person in connection with any possible proposal regarding a sale or lease of the Assets or any similar transaction. Seller shall notify Purchaser 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. Between the date hereof and the Closing, Seller shall (i) afford Purchaser and its authorized representatives full and complete access to Seller's employees, medical staff, if any has been hired, and other agents and representatives and during normal working hours to all books, records, offices and other facilities of Seller, (ii) permit Purchaser to make such inspections and to make copies of such books and records as it may reasonably require and (iii) furnish Purchaser with such financial and operating data and other information relating to Seller and the Assets as Purchaser may from time to time reasonably request. Purchaser and its authorized representatives shall conduct all such inspections under the supervision of personnel of Seller in a manner that will minimize disruptions to the business and operations of Seller and in a manner as to maintain the confidentiality of this Agreement. Nothing herein shall require Seller to disclose any information to Purchaser if such disclosure would: (A) cause significant competitive harm to its competitive position if the transactions contemplated hereby are not consummated; (B) jeopardize any attorney-client or other legal privilege; or (C) contravene any Law, fiduciary duty or binding agreement entered into prior to the date of this Agreement (including any confidentiality agreement to which it or its affiliates is a party); provided, however, that if the Seller relies on this sentence of Section 7.2 as a basis for such non-disclosure, the Seller shall nevertheless inform Purchaser of the general nature of the information not being disclosed and the basis for such non-disclosure.

SECTION 7.3 CONFIDENTIALITY. Purchaser and Seller agree to be bound by the terms and provisions regarding confidentiality set forth in SCHEDULE 7.3 attached hereto (the "Confidentiality Agreement"). The provisions of the Confidentiality Agreement shall remain binding and in full force and effect until the Closing and shall survive the Closing. Notwithstanding anything to the contrary contained in this 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 Agreement and shall be construed in a manner consistent with such purpose. The information contained herein, in the Schedules hereto or delivered to Purchaser or its authorized representatives pursuant hereto shall be subject to Confidentiality Agreement as Information (as defined and subject to the exceptions contained therein).

SECTION 7.4 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) Seller shall give promptly such notices to third parties and use its commercially reasonable efforts to obtain such third party consents and estoppel certificates as Purchaser may in its sole and absolute discretion deem necessary or desirable in connection with the transactions contemplated by this Agreement, as may be or become necessary for its execution and delivery of, and performance of its obligations under, this Agreement.

(c) Purchaser shall cooperate and use commercially reasonable efforts to assist Seller in giving such notices and obtaining such third party consents and estoppel certificates; provided, however, that Purchaser shall not have any obligation to give any guarantee or other consideration of any nature in connection with any such notice, consent or estoppel certificate which Purchaser in its sole and absolute discretion may deem adverse to the interests of Purchaser.

SECTION 7.5 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 7.6 SCHEDULE UPDATES. From the date hereof until the Closing Date, the Purchaser, on the one hand, and the Seller, on the other hand, shall immediately advise the other party 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 in such Schedule; provided, however, that no additions or changes made to any Schedule to correct deficiencies or inaccuracies in 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 parties, but provided further, however, that an addition or change made to any Schedule 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 7.7 CONDUCT OF BUSINESS BY THE SELLER PENDING THE CLOSING. Seller covenants and agrees that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless Purchaser shall otherwise agree in writing, Seller shall conduct the Business only in, and Seller shall not take any action except in, the Ordinary

Course of Business and in compliance in all material respects with all applicable laws and regulations, and that Seller shall use reasonable best efforts to preserve substantially

intact the business organization of Seller, to keep available the services of the current officers, employees and consultants of Seller and to preserve the present relationships of Seller with medical staff, suppliers and other persons with which Seller has significant business relations and Seller shall not take any actions or omit to take any actions which would cause the representations and warranties described in Section 4.7 to be untrue.

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. The obligations of Seller to effect the transactions contemplated hereby shall be subject to the fulfillment of the following condition(s), any one or more of which may be waived by Seller:

(a) All of the representations and warranties of Purchaser 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) Purchaser 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) Purchaser shall not have suffered any change, event or circumstance which has had, or would be reasonably expected to have, a Material Adverse Effect, and Seller has not declared Lender to be in default of any of its material covenants or obligations under the Construction Loan beyond any applicable notice, cure or grace period, provided such default is not caused by or did not arise due to any default by Seller under the Construction Loan;

(d) There shall not have been instituted by any creditor of Purchaser, any Governmental Entity or any other Person, any suit, action, proceeding or investigation which would adversely affect Purchaser or seek to restrain, enjoin or invalidate the transactions contemplated by this Agreement; and

(e) Purchaser shall have executed, where applicable, and delivered to Seller the documents referenced in Section 9.3 hereof.

SECTION 8.2 CONDITIONS TO THE OBLIGATIONS OF THE PURCHASER. The obligations of Purchaser to effect the transactions contemplated hereby shall be subject to the fulfillment of the following conditions (the "Purchaser's Closing Conditions"), any one or more of which may be waived by Purchaser:

(a) All of the representations and warranties of Seller 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) Seller 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 it prior to, or as of, the Closing;

(c) Seller shall not have suffered any change, event or circumstance which has

had, or would be reasonably expected to have, a Material Adverse Effect, and Lender has not declared Seller to be in default of any of its material covenants or obligations under the Construction Loan beyond any applicable notice, cure or grace period, provided such default is not caused by or did not arise due to any default by Lender under the Construction Loan;

(d) Purchaser shall have completed the due diligence investigations of Seller and the Assets and shall be satisfied with the results of such investigations;

(e) 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, and all required governmental filings or approvals, and lender approvals, have been satisfied;

(f) No portion of the Assets shall have been destroyed by fire or casualty;

(g) Purchaser shall have received copies of all permits, licenses, certificates of need and other approvals of governmental authorities required for the operation of the Assets for their intended use and written evidence satisfactory to Purchaser that the construction, development, operation and use of the Hospital is in accordance with all applicable governmental requirements;

(h) Seller shall deliver to Purchaser a final certificate of occupancy and a certificate of substantial completion for the Hospital Improvements from the architect for the Hospital Improvements;

(i) Purchaser shall have received evidence that Seller is maintaining insurance on the Assets as required in the Lease and that Purchaser and its lenders, if any, are named as additional insureds and, where applicable, loss payees;

(j) Seller shall have executed where applicable and delivered to Purchaser, as applicable, the documents and amounts referenced in Section 9.2 hereof;

(k) There shall not have been instituted by any creditor of Seller, any Governmental Entity or any other Person (other than Seller or any Affiliate thereof), any suit, action, proceeding or investigation which would adversely affect the Assets or seek to restrain, enjoin or invalidate the transactions contemplated by this Agreement;

(l) The Appraisal shall have been delivered to Purchaser;

(m) Seller shall have delivered to Purchaser audited financial statements for Seller for all fiscal years since the formation of Seller and a current interim financial statement from the end of the last fiscal year until the end of the last quarter of Seller's fiscal year; and

(n) Seller shall deliver to Purchaser a pro-forma for the operations of the Hospital for the five (5) year period commencing with the staffing of such operations.

SECTION 8.3 FAILURE OF CONDITIONS. In the event one or more of the closing conditions set forth in Sections 8.1 and 8.2 shall not be satisfied as of the Closing Date, then the party for whose benefit the closing condition exists shall have the option, to be exercised by written notice to the other party given as of the Closing Date, either to (i) waive the unsatisfied closing condition and proceed to Closing, or (ii) extending the Closing Date by such reasonable period as may be necessary to allow for satisfaction of the unsatisfied closing condition; provided such extended period shall not be later than thirty (30) days subsequent to the Outside Closing Date. In the event a party shall elect to proceed under clause (ii), the notice of such election shall include the period for which the extension is made. If, after such extension is made, the closing condition remains unsatisfied at the end of the extended period, then the party for whose benefit the closing condition exists shall have the option, to be exercised by written notice to the other party given as of the end of such extended period, either to (x) waive the unsatisfied closing condition and proceed to Closing, or (y) terminate this Agreement, whereupon Purchaser and Seller shall be released and relieved of all further obligations under this Agreement. The parties agree to use good faith efforts to satisfy each closing condition which is within such party's power or obligation to satisfy. Notwithstanding anything in this Agreement to the contrary, if a closing condition remains unsatisfied as of the Closing Date as a result of the

failure of the party's whose obligation it is to satisfy such condition (the "Defaulting Party"), then the Defaulting Party shall be in default hereunder and the Non-Defaulting Party shall have all rights and remedies allowed herein, at law and in equity.

ARTICLE IX
CLOSING

SECTION 9.1 CLOSING DATE. The closing of the transactions contemplated hereby (the "Closing") shall be held on or before thirty (30) days subsequent to satisfaction of the Purchaser's Closing Conditions set forth in Sections 8.2(e), 8.2(g), 8.2(h), 8.2(i) and 8.2(l), at a time, place and date (but not later than said thirtieth [30th] day) designated by Purchaser to Seller by written notice given at least five (5) days prior to the designated date; provided in all events the date for Closing shall be not later than the date which is twenty-four (24) months after the date of this Agreement (the "Outside Closing Date") [the actual date of Closing, or the actual date upon which Closing is to occur, being herein referred to as the "Closing Date"] and provided further, in the event Purchaser shall not timely give notice to Seller of the date, time and place for the Closing, the Closing shall be held at the offices of Purchaser at 10:00 a.m. (Eastern Time) on the date which is the earlier of (i) thirty (30) days subsequent to satisfaction of the Purchaser's Closing Conditions set forth in Section 8.2(e), 8.2(g), 8.2(h), 8.2(i) and 8.2(l), or (ii) the Outside Closing Date.

SECTION 9.2 SELLER'S CLOSING DATE DELIVERABLES. On the Closing Date, Seller shall deliver to Purchaser the documents listed below.

(a) Duly executed bills of sale and assignments transferring tangible and intangible portions of the Assets to Purchaser in form and substance satisfactory to Purchaser;

(b) A duly executed general warranty deed conveying the Hospital Improvements to Purchaser;

(c) A certified copy of the resolutions of the governing body and/or Equity Constituents of Seller dated as of the date hereof and authorizing Seller's execution, delivery and performance of this Agreement and all other documents to be executed in connection herewith;

(d) Certificates of existence and good standing of Seller from the secretary of state of Seller's state of organization, dated the most recent practical date prior to the Closing Date;

(e) A statement certified by the chief financial officer of Seller indicating that Seller has received from its Equity Constituents equity capital contributions in an amount not less than Fifteen Million and No/100 Dollars ($15,000,000.00), and that Seller has maintained and shall maintain Consolidated Net Worth (as defined in the Lease) in those amounts required under Section 16.2(a) of the Lease;

(f) An endorsement to the Purchaser's existing leasehold title policy with respect to the acquisition of the Assets, in form and substance satisfactory to Purchaser;

(g) A Zoning Compliance Letter/Certificate dated the most recent practical date prior to the Closing Date in form and substance satisfactory to Purchaser;

(h) Estoppel certificates from the Tenants in form and substance satisfactory to Purchaser;

(i) An Owner's Affidavit in form and substance satisfactory to Purchaser and the Title Company;

(j) The Search Reports dated the most recent practical date prior to the Closing Date in form and substance satisfactory to Purchaser and the Title Company;

(k) A Non-Foreign Affidavit in form and substance satisfactory to Purchaser;

(l) The Lease;

(m) A certificate dated the Closing Date signed by Seller to the effect that all of the representations and warranties of Seller 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 Seller has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by Seller on or prior to Closing;

(n) 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;

(o) A noncompete agreement in the form attached as SCHEDULE 9.2(o); and

(p) Such other instruments and documents as Purchaser reasonably deems necessary to effect the transactions contemplated hereby.

SECTION 9.3 PURCHASER'S CLOSING DATE DELIVERABLES. On the Closing Date, Purchaser shall deliver to Seller the documents listed below.

(a) A certified copy of the resolutions of the governing body of Purchaser 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 good standing of the Purchaser from the Delaware Secretary of State and foreign qualification from the Texas Secretary of State, dated the most recent practical date prior to the Closing Date;

(c) The Lease;

(d) A certificate dated the Closing Date signed by Purchaser to the effect that all of the representations and warranties of Purchaser 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 the Purchaser has performed and satisfied in all material respects all covenants and conditions required by this Agreement to be performed or satisfied by Purchaser on or prior to Closing;

(e) Any bills of sale and assignments requiring the signature of Purchaser; and

(f) A noncompete agreement in the form attached as SCHEDULE 9.2(o).

ARTICLE X
TERMINATION

SECTION 10.1 TERMINATION PRIOR TO CLOSING. 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 Seller and Purchaser; or (ii) as set forth in Section 8.3.

SECTION 10.2 NOTICE OF TERMINATION PRIOR TO CLOSING. In the event of the termination of this Agreement pursuant to Section 10.1, the party terminating this Agreement shall give prompt written notice thereof to the other party, 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. 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
POST CLOSING COVENANTS

SECTION 11.1 JCAHO COMPLIANCE. Seller, as of the Operational Date or as soon as reasonably practicable thereafter, shall apply for and obtain accreditation by the Joint Commission on Accreditation of Healthcare Organizations.

SECTION 11.2 HIPAA COMPLIANCE. Seller shall use commercially reasonable efforts to be in compliance, upon the Operational Date, with the standards for privacy of individually-identifiable health information which were promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996.

SECTION 11.3 NECESSARY PERMITS. Except as set forth in SCHEDULE 11.3 attached hereto, Seller either has or has begun applying for, and will have, as of the Operational Date, obtained all Permits from all applicable federal, state and local authorities and any other regulatory agencies necessary or proper in order to operate the Hospital and to conduct the Business.

SECTION 11.4 PARTICIPATION IN GOVERNMENT PROGRAMS. Seller shall take all actions necessary to cause the Hospital to be in compliance with the conditions of participation for the Government Programs and to receive all approvals or qualifications necessary for capital reimbursement.

SECTION 11.5 COMPLIANCE WITH WHOLE HOSPITAL EXCEPTION. Seller shall operate in compliance with the Stark Law whole hospital exception as set forth in 42 C.F.R. Section 411.356(c) and will not operate as a specialty hospital as defined in 42 C.F.R. Section 411.351.

SECTION 11.6 POST-CLOSING ACCESS TO INFORMATION. Seller and Purchaser 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, Seller and Purchaser agree that they will make available to the other parties and their agents, independent auditors and/or governmental entities such documents and information as may be available relating to the Assets and the Hospital and will permit the other parties to make copies of such documents and information at the requesting party's expense.

SECTION 11.7 SURVIVAL. The provisions of this Article XI shall survive Closing.

ARTICLE XII
INDEMNIFICATION

SECTION 12.1 INDEMNIFICATION OF THE PURCHASER PARTIES. Subject to the limitations set forth in this Article XII, the Seller agrees to indemnify, defend and hold harmless Purchaser, its 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 Damages 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 Seller, or (ii) any liability relating to the operation of the Business prior to Closing.

SECTION 12.2 INDEMNIFICATION OF SELLER PARTIES. Subject to the limitations set forth in this Article XII, Purchaser hereby agrees to indemnify, defend and hold harmless Seller, Seller's 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 Damages asserted against or incurred by the Seller Indemnified

Parties or any of them arising out of or in connection with or resulting from 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 Purchaser.

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 12.3 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 prosecuting the defense of such claim pursuant to Section 12.3(a) 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 LIMITATIONS ON CLAIMS.

(a) Notwithstanding anything in this Article XII to the contrary, no Indemnified Party's Damages shall be payable pursuant to this Article XII unless and until the aggregate amount of Damages asserted against the applicable Indemnifying Party under this Article XII equals or exceeds Fifty Thousand Dollars and No/100 Dollars ($50,000.00) and then only to the extent of such excess.

(b) The indemnification rights provided for under this Article XII shall be limited in certain respects as follows: (i) the rights of any Seller Indemnified Party to seek indemnification under this Article XII shall terminate on the first anniversary of the Closing Date (the "Seller's Indemnity Period"); (ii) the rights of any Purchaser Indemnified Party to seek indemnification under this Article XII shall terminate on the second anniversary of Closing Date (the "Purchaser Parties' Indemnity Period"), except that the Purchaser Parties' Indemnity Period shall terminate on the fifth anniversary of the Closing Date with respect to any Claim related to any breach or inaccuracy of any

representation or warranty set forth in Section 4.10 or Section 4.11 hereof. Notwithstanding the foregoing, if, prior to the close of business on the last day of, as applicable, the Seller's Indemnity Period or the Purchaser Parties' Indemnity Period, an Indemnifying Party shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof.

(c) The foregoing limitations on time and amount shall not apply to any Damages asserted or incurred by any Indemnified Party arising or resulting from (i) any act or omission of an applicable Indemnifying Party which constitutes fraud, (ii) any breach by an Indemnifying Party of its post-closing covenants, or (iii) in the case of any Purchaser Indemnified Party, the Excluded Liabilities.

(d) Following full indemnification as provided for hereunder, the Indemnifying Party shall be subrogated to all rights of the Indemnified Party with respect to all Persons relating to the matter for which indemnification has been made.

(e) Notwithstanding any provision of this Agreement to the contrary, in the event any claim is made by one party to this Agreement against another party to this Agreement, the Non-Prevailing Party, and only the Non-Prevailing Party, shall be responsible for paying the reasonable legal fees, costs and expenses of the other party to the claim and the term "Damages," as used herein with respect to a Non-Prevailing Party, shall be deemed not to include the legal fees and expenses of such Non-Prevailing Party.

SECTION 12.5 INVESTIGATIONS. The right to indemnification based upon breaches or inaccuracies of representations, warranties and covenants will not be affected by any investigation conducted with respect to, or knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement 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 12.6 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 12.7 INSURED LOSSES. The amount of any damages for which indemnification is provided under this Article XII shall be net of any duplicative amounts recovered by the Indemnified Party under insurance policies or from unaffiliated third Persons with respect to such damages; provided, however, such Indemnified Party shall have no duty or obligation to seek recovery of any available insurance proceeds in advance of exercising its rights or remedies under this Article XII to seek indemnification by the Indemnifying Party.

SECTION 12.8 EXCLUSIVE REMEDY. FROM AND AFTER 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 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
CHOICE OF LAW/JURISDICTION AND VENUE

SECTION 13.1 CHOICE OF LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 13.2 JURISDICTION AND VENUE. PURCHASER AND SELLER CONSENT TO THE PERSONAL JURISDICTION IN DELAWARE. PURCHASER AND SELLER AGREE THAT ANY ACTION OR PROCEEDING ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF DELAWARE. EACH OF THE PARTIES

IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. SELLER EXPRESSLY ACKNOWLEDGES THAT DELAWARE IS A FAIR, JUST AND

REASONABLE FORUM AND SELLER AGREES NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY PURCHASER IN SAID COURTS. FURTHER, PURCHASER AND SELLER IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 14.2 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 party hereto. Notwithstanding the foregoing, Purchaser may at any time and without the consent of Seller 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 Purchaser from its obligations hereunder.

SECTION 14.2 NOTICE. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Lease shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Tenant:
North Cypress Medical Center Operating Company, Ltd.
6830 North Eldridge Parkway
Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D., Chairman of the Board
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to:
Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attention: Frank T. Sossi, Esq.
Phone: (330) 253-5060
Fax: (330) 253-1977

Zimmerman, Axelrad, Meyer, Stern & Wise, P.C.
3040 Post Oak Boulevard
Suite 1300
Houston, Texas 77056-6560
Attention: Leonard Meyer, Esq.
Phone: (713) 552-1234
Fax: (713) 963-0859

(b) if to Landlord:
MPT of North Cypress, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq., Executive Vice President & General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to:
Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.

Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

SECTION 14.3 SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Seller agrees to cooperate with Purchaser and its Affiliates in connection with any securities offerings, filings or financing transactions and, in connection therewith, Seller shall furnish Purchaser and its Affiliates with such financial and other information as Purchaser shall request. Purchaser and its Affiliates shall have the right of access, at reasonable business hours and upon advance notice, to the Hospital Improvements and all documentation and information relating to the Assets and have the right to disclose any information regarding this Agreement,

Seller, the Assets 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 Purchaser and its Affiliates may reasonably deem necessary.

SECTION 14.4 EXPENSES. Seller shall pay all costs and expenses incurred by Seller and Purchaser in connection with the transactions contemplated hereby, including, without limitation, the cost of survey, appraisal, environmental, title and other third-party reports and all document stamps, transfer taxes, 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 Purchaser and lenders, all recording costs, and all attorneys' fees.

SECTION 14.5 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 14.6 ENTIRE AGREEMENT; MODIFICATION. This Agreement, including the Exhibits and Schedules 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 14.7 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 14.8 SEVERABILITY. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability

shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

SECTION 14.9 CONSTRUCTION. The parties hereby agree that each has played an equal part in the negotiations and drafting of this Agreement, and in interpreting the provisions hereof, therefore, there shall be no construction or interpretation of this Agreement for or against either party based upon who drafted the same.

SECTION 14.10 FURTHER ASSURANCES. From time to time after the Closing and without further consideration, Seller shall execute and deliver to Purchaser such instruments of sale, transfer, conveyance, assignment, consent or other instruments as may be reasonably requested by Purchaser in order to vest all right, title and interest of Seller 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 14.11 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 14.12 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 PAGES]

IN WITNESS WHEREOF, Purchaser and Seller, intending to be legally bound hereby, have caused this Agreement to be executed by their duly authorized representatives effective as of June 1, 2005.

SELLER:

NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD., a Texas limited partnership

By: North Cypress Medical Center Operating Company, LLC, a Texas limited liability company, its general partner

By: /s/ Robert A. Behar, M.D.

Robert A. Behar, M.D., Chairman of the Board

PURCHASER:

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By: /s/ Edward K. Aldag, Jr.

Print Name: Edward K. Aldag, Jr.

Title: President & CEO

EXHIBITS AND SCHEDULES

EXHIBITS

Exhibit A	Description of the Hospital Tract
Exhibit B	Description of the Northeast Parking Parcel
Exhibit C	Lease

SCHEDULES

Schedule 2.1	Contracts and Plans
Schedule 4.1	Ownership of the Seller
Schedule 4.5	Balance Sheet and Disclosures
Schedule 4.8	Physicians
Schedule 4.10	Tenant Leases
Schedule 4.13	Business Contracts
Schedule 4.14	Permits
Schedule 4.15	Exclusions for Medicare/Medicaid
Schedule 4.16	Exceptions Relating to Healthcare Regulatory Matters
Schedule 4.18	Medical Staff Matters
Schedule 4.20	Intangible Property
Schedule 4.22	Subsidiaries of the Seller
Schedule 7.3	Confidentiality Provisions
Schedule 9.2(o)	Noncompete Agreement
Schedule 11.3	Exceptions to Permits

EXHIBIT A

[LEGAL DESCRIPTION OF THE HOSPITAL TRACT]

[SEE ATTACHED]

EXHIBIT B

[LEGAL DESCRIPTION OF THE NORTHEAST PARKING PARCEL]

[SEE ATTACHED]

EXHIBIT C

[LEASE]

[SEE ATTACHED]

SCHEDULE 2.1

CONTRACTS AND PLANS

Contracts:

1. Agreement between the Seller and Contractor, Gilbane Building Company

2. Agreement between the Seller and Architect, Davis Stokes Collaborative, P.C.

3. Agreement between the Seller and Engineer, Benchmark Engineering Company

Plans:

1. Benchmark Engineering Company Site Plans

SCHEDULE 4.1

OWNERSHIP OF SELLER

CLASS A

North Cypress Medical Center Operating Company GP, L.L.C.
S.M. Ayar
Mukarram A. Baig
Mark D. Barhorst, M.D.
Michael A. Barnard
Tampico Holdings, Ltd
Said Bina, M.D. / Bina Holdings L.P.
Michelle Bricker
Bual Childrens Grantor Trust
Casimir Interest, Ltd
Joel S. Cohen
Cordes Family L.P.
Mary K. Crow, M.D.
Matthew P. Cubbage
Julins DeBroeck
Woodrow V. Dolino, M.D.
Alfredo Ermac, Jr., M.D.
Elbaz Knafo Family L.P.
Michael Estantsi
James P. Fogarty, M.D.
Mario Garza, Jr., M.D.
Laurent Gressot
Bernard Himel
David Hoefer, M.D.
Ayub Hussain
Keith Huynh
K/G Family L.P.
Michael G. Keller
Attiya S. Khan, M.D.
Dr. Karl King
Clifford Kitten Farri S Limited Partnership
Jimmy W.C. Lee and Evelyn Lee Family L.P.
Jorge I. Leiva, M.D.
Lin Lin Liu, M.D.
David R. Mack
Mobeen Mazhar
William D. McChesney
Edward McClendon
Mark M. Mettauer, M.D.
Uma Y. Mohan
W D Morgan Family L.P.
Venn Nair
Maria Nguyen
Scott E. Olsson, M.D., PA
Pandya Investments, L.P.
Prakash Interests, Ltd.
Dileep Puppala
Mark S. Rigo
Judith E. Rubin
Frederick E. Rushford, M.D.
Irvin J. Saron
Satichwaycha Pon
Dorothy Serna
Paul E. Shephard
Kamran K. Sherwani
Anil U. Sheth
Don Stroud
Matthew St. Laurent
Tawa Family L.P.
Ronald J. Taylor
Dennis M. Toland, M.D.
S.R. Venkatesh
Srinivasa Vondala
Bradley Waggoner
Michelle Wiggins

Charles Yen

CLASS B

Louis J. Bujnoch, M.D.
Debra L. Butler
WJKALC Family L.P.
Greg Howard
Midstreem Invest. LLC
Phillip H. Gregor, Jr., M.D.
Melissa O'Toole Smith
Stephen L. Rose, M.D.
Michelle Wiggins
J.S. Wilkenfeld, etal, Ltd

CLASS C

Doctors Medical Center of Dallas, Ltd.

SCHEDULE 4.5

BALANCE SHEET AND DISCLOSURES

There are no financial Statement exceptions to GAAP in the attached initial un-audited Balance Sheet and Statement of Cashflows of Seller dated May 31, 2005 [SEE ATTACHED].

SCHEDULE 4.8

PHYSICIANS

CLASS A
Sunramanyam Ayyar, M.D.
Mark D. Barhorst, M.D.
Michael Barnard, M.D.
Mukkaram Baig, M.D.
Robert A. Behar, M.D.
Said Bina, M.D.
Michelle Bricker, M.D.
Nirmal Bual, M.D.
Mirtha Casimir, M.D.
Johnny Cavazos, M.D.
Dorothy Cohen Serna, M.D.
Joel Cohen, M.D.
Stephanie Cordes, M.D.
Mary K. Crow, M.D.
Matthew P. Cubbage, M.D.
Julius De Broeck, M.D.
Mounang Desai, M.D.
Woodrow V. Dolino, M.D.
Alfredo Ermac, Jr., M.D.
Alain Elbaz, M.D.
Michael Esantsi, M.D.
James P. Fogarty, M.D.
Mario Garza, Jr., M.D.
Laurent Gressot, M.D.
Quang Henderson, M.D.
Buch Himel, M.D.
Victor Ho, M.D.
David Hoefer, M.D.
Ayub Hussain, M.D.
Keith Huynh, M.D.
Kim Keller, M.D.
Michael G. Keller, M.D.
Attiya S. Khan, M.D.
Karl King, M.D.
Clifford Kitten, M.D.
Jimmy W.C. Lee, M.D.
Jorge I. Leiva, M.D.
Lin Lin Liu, M.D.
David R. Mack, M.D.

Mobeen Mazhar, M.D.
W David McChesney, M.D.
Edward McClendon, M.D.
Mark M. Mettauer, M.D.
Uma Mohan, M.D.
Warren Morgan, M.D.
Maria Nguyen, M.D.
Scott E. Olsson, M.D.
Rajendran Pandya, M.D.
Rahul Prakash, M.D.
Satitpunwaycha Pon, M.D.
Dileep Puppala, M.D.
Mark Rigo, M.D.
Scott Rivenes, M.D.
Judith Rubin, M.D.
Irvin Saron, M.D.
Frederick E. Rushford, M.D.
Paul E. Shephard, M.D.
Rubert Sheppard, M.D.
Hamran Sherwani, M.D.
Anil Sheth, M.D.
Mathew J. St. Laurent, M.D.
Daniel Stroud, M.D.
Cyril Tawa, M.D.
S.R. Venkatesh, M.D.
Srinivas Vodnala, M.D.
Ron Taylor, M.D.
Dennis M. Toland, M.D.
Bradley Waggoner, M.D.
Michelle Wiggins, M.D.
Charles Yen, M.D.

CLASS B
Louis J. Bujnoch, M.D.
Debra L. Butler, M.D.
Greg Howard, M.D.
Alanna Criag, M.D.
Phillip H. Gregor, Jr., M.D.
H.V. Nook, M.D.
Melissa O'Toole Smith, M.D.
Stephen L. Rose, M.D.
Michelle Wiggins, M.D.
J.S. Wilkenfeld, M.d.

SCHEDULE 4.10

TENANT LEASES

None.

SCHEDULE 4.13

BUSINESS CONTRACTS

1. Surgical Development Partners, LLC
   Pre-Opening and Management Agreement, May 17, 2005

2. Surgical Development Partners, LLC
   Services Agreement, May 17, 2005

SCHEDULE 4.14

PERMITS

1. From Harris County, Texas - stripping, clearing, grubbing, excavation, and fill permits;

2. From the Texas Department of Transportation
   - driveway
   - cut and fill combo permits for site work
   - off trailer permit

- above ground sanitary holding tank permit
- NLI, storm water prevention permit (TCEQ)
- excavation permit for ponds A, B, and C
- drainage permit as part of the storm water permit

3. Texas Department of Health Approval.

SCHEDULE 4.15

EXCLUSIONS FOR MEDICARE/MEDICAID

None.

SCHEDULE 4.16

EXCEPTIONS RELATING TO HEALTHCARE REGULATORY MATTERS

None.

SCHEDULE 4.18

MEDICAL STAFF MATTERS

None.

SCHEDULE 4.20

INTANGIBLE PROPERTY

None.

SCHEDULE 4.22

SUBSIDIARIES OF THE SELLER

None.

SCHEDULE 7.3

CONFIDENTIALITY PROVISIONS

As used herein, the term "Confidential Information" with respect to a party means (a) any confidential, non-public or proprietary information (including, without limitation, any business records, financial information, business activity, ownership or investor lists, ownership or investor information, service, data, documentation, description, know-how, concept, trade secret, copyright or other intellectual property right) of such party, whether disclosed verbally, in writing or electronically, or which is otherwise learned by the other party hereto, and whether disclosed prior to, on or after the date hereof, and (b) all data, analyses, compilations, studies or other documents prepared by the other party hereto that contain or reflect any Confidential Information; provided, however, that the term "Confidential Information" does not include information which (i) is already in the other party's possession, provided that such information is not known by the other party to be subject to another confidentiality agreement with or other obligation of secrecy to the disclosing party, or (ii) becomes generally available to the public other than as a result of a disclosure by the other party in breach hereof, or (iii) becomes available to the other party on a non-confidential basis from a source other than the disclosing party or its representatives, provided that such source is not known by the other party to be bound by a confidentiality agreement with or other obligation of secrecy to the Company. Neither party makes any representation or warranty regarding the completeness or accuracy of any Confidential Information.

As a condition to each of the parties furnishing one another with such party's

Confidential Information, each party hereto agrees to treat the other party's Confidential Information (whether prepared by the disclosing party, its advisors or otherwise) in accordance with the provisions of this Schedule 7.3 and to take or abstain from taking certain other actions herein set forth.

Each party hereby agrees that the other party's Confidential Information, and the fact that the parties are discussing a potential business relationship, will be kept confidential by such party and will be used by such party solely for the purpose of (i) evaluating a possible business relationship with the other party, and (ii) if such business relationship is commenced, fulfilling the obligations of such party to the other party pursuant to any agreements between the parties hereto; provided, however, that any Confidential Information and the fact the parties are discussing a potential business relationship may be disclosed to the following: (1) such party's agents or representatives who need to know the Confidential Information for the purpose of evaluating or providing services in connection with any such possible business relationship (it being understood that (A) such agents and representatives shall be informed by such party of the confidential nature of the other party's Confidential Information, (B) such agents and representatives shall be directed by such party to treat the other party's Confidential Information confidentially in accordance with the terms of this Agreement, and (C) such party shall be liable for any breach of confidentiality committed by such agents or representatives), and (2) Purchaser and its Affiliates' prospective investors in relation to or in connection with any private placement or public offering of Purchaser's or its Affiliates' securities, and (3) any person or entity to whom disclosure is required by federal or state securities laws.

Except with the prior written consent of the other party and except for the permitted disclosures described in the immediately preceding paragraph, prior to any public announcement concerning the business relationship between Purchaser and Seller, or any transaction related thereto, neither party will, and will direct its agents and representatives not to, disclose to any person either the fact that (A) discussion or negotiations are taking place concerning the potential business relationship between Purchaser and Seller, or (B) that a business relationship between Purchaser and Seller has commenced. If as a result of federal or state securities laws, either party is required by law, in the reasonable opinion of such party's legal counsel, to disclose the fact that negotiations are taking place concerning the proposed or commenced business relationship between Seller and Purchaser or any of the proposed or effective terms of such business relationship, such party shall, to the extent reasonably practical, provide prior notice thereto to the other party, and shall consult with the other party concerning the language, form and substance of any disclosure of the other party's Confidential Information.

In the event that either party, or such party's representatives or agents, are requested or required in a judicial, administrative or governmental proceeding to disclose the other party's Confidential Information, such party will cooperate with the other party and provide it with prompt notice of such request(s) so that the other party may seek an appropriate protective order and/or waive compliance with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder, a party or its representatives or agents are nonetheless, in the opinion of such party's legal counsel, legally required to disclose the other party's Confidential Information to any tribunal or else stand liable for contempt or suffer other censure or penalty, such party may disclose the other party's Confidential Information to such tribunal without liability hereunder.

The parties, upon request of the other party, shall return or destroy all of the other party's written Confidential Information and all documents, memoranda, notes and other writings whatsoever prepared by such party or its representatives or agents based on the other party's Confidential Information. Neither this letter nor the disclosure of a party's Confidential Information to the other party grants or confers upon the other party any license, ownership right or other right in or to such Confidential Information.

SCHEDULE 9.2(o)

NON-COMPETITION AGREEMENT

THIS NON-COMPETITION AGREEMENT (this "Agreement") is made and entered into as of _____ __, 200__ by and among MPT OF NORTH CYPRESS, L.P. ("MPT") a

Delaware limited partnership, and NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD. (the "Company"), a Texas limited partnership.

RECITALS:

WHEREAS, the Company and MPT are parties to that certain Purchase and Sale Agreement dated effective as of June 1, 2005 (the "Purchase Agreement") pursuant to which MPT has agreed to purchase from the Company and the Company has agreed to sell to MPT, the Assets; and

WHEREAS, as a condition to the closing of the transactions contemplated by and referenced in the Purchase Agreement, and as an inducement to cause MPT to enter into and close such transactions, the Company has agreed to enter into, and to be bound by the terms and conditions of, this Agreement.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MPT and the Company do hereby agree as follows:

1. Capitalized Terms. Any capitalized term or phrase which is used herein (including the Recitals) and not expressly defined herein shall have the meaning ascribed to such term or phrase in the Purchase Agreement.

2. Non-Competition Provisions.

(a) The Company agrees that while the Lease is in place and, if such Lease is terminated for any reason other than the Company's purchase of MPT's leasehold interest in the Land subject to the Lease, for a period of three (3) years thereafter (the "Noncompete Period"), neither the Company nor any of its Affiliates shall, directly or indirectly, acquire, finance, guarantee indebtedness, own, lease, manage, develop or provide services in connection with the acquisition, ownership, operation or development of any real estate located within ten (10) miles of any point on or within the Land, which real estate is used in a Competing Business (as herein defined). Any violation of the provisions of this Section 2 shall suspend the Noncompete Period for the duration of such violation. "Competing Business" shall mean any healthcare business which involves the operation of a facility in which surgical procedures are performed and shall include, without limitation, any specialty hospital, hospital, or ambulatory surgery center; provided, however, that the foregoing shall not prohibit the Company and/or its Affiliates from acquiring, owning, operating or developing real estate the acquisition, ownership, operation or development of which by the Company and/or its Affiliates will not have an adverse effect on the Land and the Hospital. Nothing contained herein, however, is intended to conflict with or be

more restrictive in its application than the Covenant Not to Compete provisions of the Company's Confidential Offering Memorandum dated as of October 18, 2004 and the Amended and Restated Agreement of Limited Partnership included therein (the "Company's Governing Documents"); provided, however, North Cypress Medical Center Operating Company, LLC (the "General Partner"), in its capacity as the general partner of the Company, hereby agrees for itself and its successors and assigns as the general partner of the Company: (i) to be bound by the Covenant Not to Compete provisions of the Company's Governing Documents for the Noncompete Period set forth herein, as if the General Partner were directly bound by such Covenant Not to Compete provisions in the Company's Governing Documents, and (ii) from and after the date of this Agreement and throughout the Noncompete Period set forth herein, to not grant any exceptions to the Covenant Not to Compete provisions of the Company's Governing Documents without the prior written consent of MPT, which may be granted or withheld in MPT's sole discretion.

(b) The Company agrees that the restrictions contained herein are reasonable and necessary to protect the legitimate interests of MPT, and that any violation of the provisions would result in damages which cannot be adequately compensated by money alone. The Company hereto agrees that MPT will be entitled to injunctive or other equitable relief without proving actual damages or posting any bond in the event of any violation of the restrictions contained herein; provided, however, that the foregoing shall not prohibit or limit or be construed to prohibit or limit the right of MPT to pursue any other legal and equitable remedies available to it on account of such breach or violation including the recovery of damages from the Company. If any court shall hold that the duration or scope (geographic or otherwise) of this Agreement is unreasonable, then, to the extent permitted by law, the court may prescribe a maximum duration or scope

(geographic or otherwise) that is judicially enforceable and not unreasonable. The parties agree to accept such determination, subject to their rights of appeal, which the parties hereto agree shall be substituted in place of any and every judicially unenforceable provision of this Agreement, and that this Agreement, as so modified, shall be fully enforceable as if originally executed in such manner.

(c) This Agreement is intended to comply with all applicable rules and regulations of all governmental and regulating authorities. Accordingly, the parties agree to renegotiate, in good faith, any term, condition or provision of this Agreement, or any other relationship between the parties, determined to be in contravention of any regulation, policy or law of any such authority. All other provisions hereof shall remain enforceable to the fullest extent permitted by law. The parties further agree to comply with all applicable federal and state laws and regulations, including [42 U.S.C. Section 1395x(v)I,] which is incorporated herein by reference, relating to maintaining and providing documents to governmental officials.

3. Legal Fees and Expenses. In the event any claim is made by one party to this Agreement against another party to this Agreement, the Non-Prevailing Party (as herein defined), and only the Non-Prevailing Party, shall be responsible for paying the reasonable costs, expenses and legal fees of the other party to the claim. "Non-Prevailing Party" shall mean, with respect to any claim between any parties hereto, such party determined as the non-prevailing party by a court with proper jurisdiction.

4. Binding Effect and Modifications. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties to this Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior written agreements between the parties, and all prior and contemporaneous oral statements with respect to the restrictions contemplated hereby. This Agreement may not be changed or terminated orally, but may only be changed by an agreement in writing signed by the party or parties against whom enforcement of any waiver, change, modification, extension, discharge or termination is sought.

5. Section, Captions and Counterparts. Section and other captions contained in this Agreement are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof. This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall, together, constitute and be one and the same instrument. The parties may execute this Agreement, individually or in a representative capacity, and forward an executed counterpart signature to one or more other parties by telecopy, overnight express or other means, and the party or parties receiving such executed counterpart signature shall be authorized to attach it hereto as the legal and valid signature of such executing party. The party or party receiving such executed counterpart signature, together with their attorneys and counsel, shall be able to rely on the validity of such executed counterpart signature as fully as if the original of such signature was affixed hereon.

6. Notices. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Lease shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to the Company: North Cypress Medical Center
Operating Company, Ltd.
6830 North Eldridge Parkway
Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D.,
Chairman of the Board
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to: Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308

Attention: Frank T. Sossi, Esq.
Phone: (330) 253-5060
Fax: (330) 253-1977

Zimmerman, Axelrad, Meyer, Stern & Wise, P.C.
3040 Post Oak Boulevard
Suite 1300
Houston, Texas 77056-6560
Attention: Leonard Meyer, Esq.
Phone: (713) 552-1234
Fax: (713) 963-0859

(b) if to MPT: MPT of North Cypress, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.,
Executive Vice President &
General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to: Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

7. Governing Law, Jurisdiction and Venue. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS. PURCHASER AND SELLER CONSENT TO THE PERSONAL JURISDICTION IN DELAWARE. PURCHASER AND SELLER AGREE THAT ANY ACTION OR

PROCEEDING ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT AND TRIED EXCLUSIVELY IN THE STATE OR FEDERAL COURTS OF DELAWARE. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT. SELLER EXPRESSLY ACKNOWLEDGES THAT DELAWARE IS A FAIR, JUST AND REASONABLE FORUM AND SELLER AGREES NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY PURCHASER IN SAID COURTS. FURTHER, PURCHASER AND SELLER IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORM. SERVICE OF ANY PROCESS, SUMMONS, NOTICE OR DOCUMENT BY REGISTERED MAIL ADDRESSED TO A PARTY AT THE ADDRESS DESIGNATED PURSUANT TO SECTION 6 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.

8. Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof,

each of which shall remain in full force and effect.

9. Waiver. The waiver by either party of a breach of any provision of this Agreement by the other shall not operate or be construed as a waiver by such party of any subsequent breach by the breaching party.

10. Construction. The parties have participated jointly in the negotiation and drafting of this Agreement, and each has been, or had the opportunity to be, represented by the counsel of its choosing in connection therewith. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

[SIGNATURES APPEAR ON THE FOLLOWING THREE PAGES]

IN WITNESS WHEREOF, MPT and the Company have caused their incumbent and duly authorized representatives to execute this Agreement as of the day and year first above written.

MPT

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By:_____
Print Name:_____
Title:_____

COMPANY:

NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD., a Texas limited partnership

By: North Cypress Medical Center Operating Company, LLC, a Texas limited liability company, its general partner

By:_____
Robert A. Behar, M.D., Chairman of the Board

SCHEDULE 11.3

EXCEPTIONS TO PERMITS

None.

EXHIBIT 10.42

CONTRACT FOR PURCHASE AND SALE OF REAL PROPERTY

THIS CONTRACT FOR PURCHASE AND SALE OF REAL PROPERTY ("Contract") is made and entered into this 13th day of June, 2005, but effective as of June 1, 2005, by and between NORTH CYPRESS PROPERTY HOLDINGS, LTD. ("Seller"), a Texas limited partnership, and MPT OF NORTH CYPRESS, L.P. ("Purchaser"), a Delaware limited partnership.

W I T N E S S E T H:

For and in consideration of the mutual promises herein contained, Ten and No/100 Dollars ($10.00) in hand paid by Purchaser to Seller and other good and valuable consideration flowing between the parties, the receipt, adequacy and sufficiency of which are hereby acknowledged, Purchaser and Seller do hereby agree as follows:

1. Contract to Sell and Purchase. Purchaser agrees to purchase from Seller, and Seller agrees to sell to Purchaser, upon the terms and conditions hereinafter set forth, all that tract or parcel of land being approximately 12.985 acres (565,627 square feet) and lying and being in Harris County, Texas, said property being more particularly shown on Exhibit "A" attached hereto and made a part hereof, together with all easements, rights, members and appurtenances appertaining thereto (collectively, "Premises").

2. Purchase Price. The Purchase Price for the Premises shall be Four Million Seven Hundred Thirty Four Thousand Two Hundred Ninety Seven and 99/100 Dollars ($4,734,297.99), which is the product of $8.37 multiplied by the square footage of the Premises.

3. Closing Conditions. Each of the parties' respective obligations hereunder to close the transaction contemplated by this Agreement are subject to the satisfaction, or waiver, as of the Closing Date of each of the following closing conditions (the "Closing Conditions"):

(a) No "Event of Default" or "Landlord Default" (as defined in the applicable Other Agreement [as hereinafter defined]), as applicable, by any party thereto shall have occurred and be continuing beyond any applicable notice, cure or grace period under either of (i) that certain Construction Loan Agreement dated as of the date hereof (the "Loan Agreement"), between North Cypress Medical Center Operating Company, Ltd. ("NCMCOC"), as "borrower" therein, and MPT Finance Company, LLC ("MPT Finance"; MPT Finance, which is an affiliate of Purchaser, and Purchaser are each referred to for purposes of this Section 3 as an "MPT Party"), as "lender" therein, (ii) that certain Net Ground Lease (Hospital Tract) dated as of the date hereof (the "Hospital Ground Lease"), between Seller, as "landlord" therein, and Purchaser, as "tenant" therein, (iii) that certain Net Ground Lease (Northeast Parking Parcel) dated as of the date hereof (the "Parking Ground Lease"), between Northern Healthcare Land Ventures, Ltd. ("NHLV"; NCMCOC and NHLV, each of which is an affiliate of Seller, and Seller are each referred to for purposes of this Section 3 as a "North Cypress Party"), as "landlord" therein, and Purchaser, as "tenant" therein, or (iv) that certain Sublease Agreement

dated as of the date hereof (the "Sublease"; the Loan Agreement, the Hospital Ground Lease, the Parking Ground Lease and the Sublease each being referred to for purposes of this Section 3 as an "Other Agreement"), between Purchaser, as "landlord" therein, and NCMCOC, as "tenant" therein (any such Event of Default being defined for purposes of this Section 3 as an "Other Agreement Default"); and

(b) The construction of the "Hospital Improvements" (as defined in the Sublease) being undertaken on the Premises by NCMCOC pursuant to the Sublease and the Loan Agreement shall have reached a percentage of completion of at least [thirty-seven and one-half percent (37.5%)], as certified in writing to NCMCOC and MPT Finance by the "Architect" (as defined in the Loan Agreement) under and pursuant to the Loan Agreement.

If either of the foregoing Closing Conditions is not satisfied as of the Closing Date, (i) in the case of an Other Agreement Default by a North Cypress Party, then Purchaser, or (ii) in the case of an Other Agreement Default

by an MPT Party, then Seller, or (iii) in the case of the failure of the Closing Condition in Subsection 3(b), then either of the parties, may elect either to (A) waive the unsatisfied Closing Condition and proceed to Closing, or (B) extend the Closing Date by such reasonable period as may be necessary to allow for satisfaction of the unsatisfied Closing Condition; provided such extended period shall not be later than [thirty (30)] days subsequent to the Closing Date. In the event a party shall elect, by written notice to the other party, to proceed under clause (B) above, the notice of such election shall include the period for which the extension is made. If, after such extension is made, the Closing Condition remains unsatisfied at the end of the extended period, then the party for whose benefit the Closing Condition under Subsection 3(a) exists, or either party in the case of the Closing Condition in Subsection 3(b), shall have the option either to (y) waive the unsatisfied Closing Condition and proceed to Closing, or (z) terminate this Agreement by written notice to the other party, whereupon Purchaser and Seller shall be released and relieved of all further obligations under this Agreement. In the event no express, written election is made under clause (B) or (z) above, as applicable, by any party having the right to do so, such party or parties, as applicable, shall be deemed to have elected to proceed under clause (A) or (y) above, as applicable. The parties agree to use good faith efforts to satisfy each Closing Condition which is within such party's power or obligation to satisfy.

4. Closing. The closing of the transaction herein contemplated (the "Closing") shall be held at the offices of First American Title Insurance Company, Houston, Texas, or such other location to which Seller and Purchaser shall agree on January 5, 2006 ("Closing Date"). Possession of the Premises shall be granted and delivered by Seller to Purchaser at the time of Closing. At the Closing, Seller shall convey to Purchaser good and insurable fee simple title to the Premises subject only to the lien of real property ad valorem taxes for 2006 and those matters set forth on Exhibit "B" attached hereto and by this reference made a part hereof (collectively, the "Permitted Title Exceptions"). Such conveyance shall be made by execution and delivery to Purchaser by Seller of a special warranty deed together with all other documents required herein, including such documentation, if any, as reasonable necessary to evidence the authority and power of Seller to consummate the transaction. Seller shall take all actions expressly required by this Contract to be performed by Seller at the Closing, including but not limited to satisfying and/or discharging out of Seller's closing proceeds or otherwise at Seller's cost or expense at Closing all mortgages, deeds of trust and other encumbrances necessary to deliver title to the

Premises as required hereby. At Closing, in addition to the foregoing requirements, Seller shall deliver to Purchaser (i) an owner's affidavit in customary form as required by Purchaser's title insurance company in order to remove standard exceptions to Purchaser's title insurance policy, (ii) a customary non-foreign affidavit, (iii) an assignment of the leases described in Exhibit "C", and (iv) appropriate lien waivers and indemnities from all contractors and subcontractors doing work on the Premises.

5. Prorations. The Premises are subject to a Net Ground Lease pursuant to which all taxes and other expenses relating to the Premises are payable by the tenant thereunder. No proration of such taxes and expenses between Seller and Purchaser shall be made at Closing.

6. Costs. Purchaser shall pay the costs of Purchaser's title insurance policy and Purchaser's attorneys' fees. Seller shall pay any transfer tax due in connection with recording the special warranty deed, the cost of satisfying of record any security instruments released at Closing, and all recording costs.

7. Damage or Condemnation. Risk of loss resulting from any condemnation, eminent domain or expropriation proceeding which is commenced prior to Closing, and risk of loss to the Premises due to any other cause, remains with Seller until Closing. If, prior to the Closing, all or part of the Premises shall be destroyed, damaged or subjected to a bona fide threat of condemnation, expropriation or other proceeding, Seller shall so notify Purchaser, and Purchaser may elect to (i) cancel this Contract, in which event all parties shall be relieved and released of and from any further duties, obligations, rights or liabilities hereunder, or (ii) Purchaser may declare this Contract to remain in full force and effect and the purchase contemplated herein, subject to such damage or less any interest taken by eminent domain, expropriation or condemnation, shall be effected, and at Closing, Seller shall assign, transfer and set over to Purchaser all of the right, title and interest of Seller in and

to any awards and insurance proceeds or claims that have been or that may thereafter be made for such taking or damage.

8. Default Provisions. If the sale and purchase of the Premises contemplated by this Contract is not consummated because of Purchaser's default hereunder, Purchaser shall pay over to Seller the sum of Ten Thousand and 00/100 Dollars ($10,000.00), as Seller's sole and exclusive remedy hereunder for such default of Purchaser; the parties hereto acknowledging that it is impossible to estimate more precisely the damages which might be suffered by Seller upon Purchaser's default. Seller's receipt of such sum is intended not as a penalty but as full liquidated damages pursuant to applicable state law. The right to receive and retain such sum as full liquidated damages is Seller's sole and exclusive remedy in the event of default hereunder by Purchaser. In the event Seller shall default hereunder, Purchaser may elect to (i) terminate this Contract, or (ii) seek any other right or remedy allowed at law or in equity.

9. Broker. Purchaser and Seller hereby represent that no broker has been contacted in connection with the transaction contemplated by this Contract and Purchaser and Seller hereby indemnify each other against, and agree to hold each other harmless from, any liability or claim (and all expenses, including attorneys' fees, incurred in defending any such claim or in enforcing this indemnity) for a real estate brokerage commission, except as set forth herein, arising out of

or in any way connected with any claimed dealings with the indemnitor and relating to this Contract or the purchase and sale of the Premises.

10. Representations and Warranties. As a material inducement to Purchaser to enter into this Contract and as a condition to Purchaser's obligations hereunder, Seller hereby makes the following representations and warranties which are true and correct as of the date hereof and which shall be true and correct on the date of Closing:

(a) Seller is a limited partnership duly organized, validly existing, and in good standing under the laws of the State of Texas.

(b) Seller has the requisite limited partnership 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 Contract. All limited partnership actions required to be taken by Seller to authorize the execution, delivery and performance of this Contract have been duly and properly taken or obtained in accordance, and in compliance with Seller's partnership agreement. No other action on the part of Seller or Seller's partners (or other person's possessing and exercising similar control and authority over Seller) is necessary to authorize the execution, delivery and performance of this Contract.

(c) Seller's execution, delivery and performance of this Contract and will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of Seller's partnership agreement; (ii) violate or conflict with any provision of any law to which Seller is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to Seller; (iv) result in, or cause the creation of a lien on the Premises; 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 indenture, mortgage, deed of trust, contract, agreement or other instrument to which Seller is a party or by which Seller or the Premises is bound.

(d) 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 Seller in connection with the execution, delivery and performance of this Contract.

(e) Seller is the sole and exclusive owner of the simple title to the Premises free and clear of any and all liens, encumbrances, restrictions or easements of any kind whatsoever and any adverse claims of third parties except those set forth on Exhibit "B".

(f) There are no tenants with respect to the Premises or other parties which has a possessory right to the Premises, except for MPT of North Cypress, L.P. and its permitted subtenants.

(g) (i) No governmental entity or any nongovernmental third party has notified Seller, or to Seller's knowledge, any other party, of any alleged violation, or investigation of any suspected violation under the Environmental Laws (hereinafter defined) in connection with the ownership of the Premises, 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 (hereinafter defined). To Seller's knowledge, the Premises are in full compliance with the Environmental Laws.

(ii) To the knowledge of Seller, no Hazardous Materials have been stored, disposed of or arranged for the disposal on the Premises, except in compliance with the Environmental Laws and Seller has not, and will not, install any underground storage tanks at, on or under the Premises.

(iii) To the knowledge of Seller, there have been no actions, 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 the Premises that could form the basis of any Environmental Claim (hereinafter defined) against Landlord or Tenant.

(iv) Seller has not contractually assumed or succeeded to any liability of any direct or indirect predecessors or any other person related or with respect to any Environmental Law.

(v) To the knowledge of Seller, there are no conditions presently existing on, at or emanating from the Premises that may result in any liability, investigation or clean-up cost under any Environmental Law.

(vi) For purposes of this Contract:

"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 or operated by the Seller, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" means 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, 49 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq., the Clean Air Act, 42 U.S.C. Sections 741 et seq., the Clean Water Act, 33 U.S.C. Section 7401, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j, and all similar federal, state and local environmental statutes and ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

"Hazardous Materials" means 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 Environmental Law.

(h) There is no suit, action, proceeding, inquiry or investigation against or involving Seller or any of its properties or rights, pending or, to the knowledge of Seller, 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 to the knowledge of Seller are there any facts which might result in, or form the basis of any such claim. 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 Seller, and Seller 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 Seller, threatened which questions or challenges Seller's title and ownership of the Premises, or which questions or challenges the validity of this Contract or any action taken or to be taken by Seller pursuant to this Contract, and there is no basis for any such claim.

(i) There are no service, supply or management agreements which relate to or affect the Premises.

11. Notice. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Contract shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Landlord:

North Cypress Property Holdings, Ltd.
6830 North Eldridge Parkway, Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D.
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to:

Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attention: Frank T. Sossi, Esq.
Phone: (330) 253-1804
Fax: (330) 253-1813

Petronella Law Firm, P.C.
8 Greenway Plaza, Suite 606
Houston, Texas 77046
Attention: Richard Petronella, Esq.
Phone: (713) 965-0606
Fax: (713) 965-0676

Zimmerman, Axelrad, Meyer, Stern & Wise P.C.
3040 Post Oak Boulevard, Suite 1300
Houston, Texas 77056-6560
Attention: Leonard Meyer, Esq.
Phone: (713) 552-1234
Fax: (713) 963-0859

(b) if to Tenant:

MPT of North Cypress, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.,
Executive Vice President &
General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to:

Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.

Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

Rejection or other refusal by the addressee to accept, or the inability of the courier service or the United States Postal Service to deliver because of a changed address of which no notice was given, shall be deemed to be receipt of the notice sent. Any party shall have the right, from time to time, to change the address to which notices to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address.

12. Miscellaneous.

(a) TIME IS OF THE ESSENCE OF THIS CONTRACT.

(b) This Contract shall inure to the benefit of, and be binding upon, the parties hereto, their heirs, successors, administrators, executors and assigns. Purchaser may assign this Contract in whole or in part without the consent of Seller.

(c) This Contract constitutes the sole and entire agreement between the parties hereto and no modification of this Contract shall be binding unless signed by all parties to this Contract.

(d) This Contract may be executed in separate counterparts. It shall be fully executed when each party whose signature is required has signed at least one counterpart, even though no one counterpart contains the signatures of all of the parties. The terms of this Contract, including all representations and warranties of Seller, shall survive the Closing for a period of one (1) year.

(e) The "date hereof" or "date of this Contract" wherever used herein shall mean the latest date that either the Seller or Purchaser shall sign this Contract, as evidenced by the dates beside their respective names.

(f) This Contract is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Contract, or the application thereof to any person or circumstance, shall, for any reason and to the extent, be invalid or unenforceable, the remainder of this Contract and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law. This Contract shall be governed by and construed in accordance with the laws of the State of Texas.

(g) This Contract represents the entire agreement and understanding between the parties relating to the subject matter hereof and supersedes all prior agreements, oral or written between the parties, if any, relating to the subject matter. Except as set forth in the Contract, neither Seller nor Purchaser has made any representations or warranties to the other party.

(h) Except for the representations and warranties of Seller set forth herein or in the deed of conveyance to be delivered by Seller at Closing, the Premises and any improvements thereon are and shall be conveyed by Seller to

Purchaser in an "AS IS - WHEREAS" condition.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed under seal by their duly authorized general partners, officers or representatives, as the case may be, on the dates set forth below, but effective as of June 1, 2005.

Date Executed by Seller:

June 8, 2005

SELLER:

NORTH CYPRESS PROPERTY HOLDINGS, LTD., a Texas limited partnership

By: North Cypress Property Holdings GP, LLC, a Texas limited liability company, its general partner

By: /s/ Robert A. Behar, M.D.

Robert A. Behar, M.D., Manager and Vice Chairman

Date Executed by Purchaser:

June 13, 2005

PURCHASER:

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By: /s/ Edward K. Aldag, Jr.

Print Name: Edward K. Aldag, Jr.
Title: President & CEO

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PREMISES

METES AND BOUNDS DESCRIPTION
PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT
12.985 NET ACRES
Revised June 7, 2005

Parcel 1

All that certain 13.958 acre (608,019 square foot) tract of land situated in the W. H. Gentry Survey, Abstract Number 295 and in the William Jones Survey, Abstract Number 489, both in Harris County, Texas, being out of and a part of a called 13.5055 acre tract of land as described by deed recorded under Harris County Clerk's File Number Y175041 and a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod with plastic cap stamped "BENCHMARK ENGR" set in the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) at the most southerly corner of the residue of a tract of land as described in a conveyance to Frank Robert Kukral, Supreme Lodge of Slavonic Benevolent Order of the State of Texas tract by deed recorded in Volume 3703, Page 68 of the Harris County Deed Records for the most westerly

corner of said 13.5055 acre tract, from which a 5/8-inch iron rod found bears South 09 degrees 30' 17" East, a distance of 1.56 feet;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 13.5055 acre tract, a distance of 381.03 feet to the POINT OF BEGINNING and being the most westerly corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, continuing along the northwesterly line of said 13.5055 acre tract, a distance of 418.26 feet to an exterior corner of the herein described tract;

THENCE, South 54 degrees 00' 08" East, a distance of 474.00 feet to the beginning of a curve to the left;

THENCE, southeasterly, a distance of 140.10 feet along the arc of said curve to the left having a radius of 336.00 feet through a central angle of 23 degrees 53' 23" and a chord that bears South 64 degrees 35' 08" East, a distance of 139.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 30.07 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 10 degrees 19' 55" and a chord that bears South 71 degrees 21' 52" East, a distance of 30.03 feet to the point of reverse curvature of a curve to the left;

THENCE, northeasterly, a distance of 37.36 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 76 degrees 27' 08" and a chord that bears North 75 degrees 34' 31" East, a distance of 34.65 feet to the point of tangency of said curve;

THENCE, North 37 degrees 20' 57" East, a distance of 40.04 feet to an interior corner of the herein described tract;

THENCE, North 52 degrees 38' 34" West, a distance of 9.81 feet to a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract for an exterior corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 19.855 acre tract, a distance of 223.69 feet to a 5/8-inch iron rod found for an angle point of said 10.00 acre tract, said 19.855 acre tract and the herein described tract;

THENCE, North 87 degrees 37' 41" East, along the north line of said 19.855 acre tract, a distance of 413.32 feet to a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast corner of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 for the northeast corner of said 19.855 acre tract and the herein described tract;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to an exterior corner of the herein described tract;

THENCE, South 86 degrees 39' 10" West, a distance of 250.74 feet to the beginning of a curve to the left;

THENCE, northwesterly, a distance of 23.43 feet along the arc of said curve to the left having a radius of 15.00 feet through a central angle of 89 degrees 28' 55" and a chord that bears North 47 degrees 26' 05" West, a distance of 21.12 feet to the point of tangency of said curve;

THENCE, South 87 degrees 49' 25" West, a distance of 71.75 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 119.81 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 50 degrees 28' 28" and a chord that bears South 62 degrees 35' 11" West, a distance of 115.97 feet to the point of tangency of said curve;

THENCE, South 37 degrees 20' 57" West, a distance of 171.52 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 38.43 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 78 degrees 38' 20" and a chord that bears South 01 degrees 58' 13" East, a distance of 35.48 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 48.88 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 16 degrees 47' 36" and a chord that bears South 32 degrees 53' 36" East, a distance of 48.71 feet to the point of reverse curvature of a curve to the left;

THENCE, southeasterly, a distance of 70.04 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 29 degrees 30' 24" and a chord that bears South 39 degrees 15' 00" East, a distance of 69.27 feet to the point of tangency of said curve;

THENCE, South 54 degrees 00' 12" East, a distance of 13.04 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 28.21 along the arc of said curve to the left having a-radius of 86.00 feet through a central angle of 18 degrees 47' 38" and a chord that bears South 63 degrees 24' 01" East, a distance of 28.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 103.49 feet along the arc of said curve to the right having a radius of 54.50 feet through a central angle of 108 degrees 47' 38" and a chord that bears South 18 degrees 24' 01" East, a distance of 88.62 feet to the point of tangency of said curve;

THENCE, South 35 degrees 59' 48" West, a distance of 119.12 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 77.35 feet along the arc of said curve to the left having a radius of 112.00 feet through a central angle of 39 degrees 34' 10" and a chord that bears South 16 degrees 12' 43" West, a distance of 75.82 feet to the point of reverse curvature of a curve to the right;

THENCE, southwesterly, a distance of 85.39 along the arc of said curve to the right having a radius of 48.00 feet through a central angle of 101 degrees 55' 41" and a chord that bears South 47 degrees 23' 29" West, a distance of 74.57 feet to the point of reverse curvature of a curve to the left;

THENCE, southwesterly, a distance of 21.93 along the arc of said curve to the left having a radius of 20.00 feet through a central angle of 62 degrees 49' 24" and a chord that bears South 66 degrees 56' 37" West, a distance of 20.85 feet to the point of tangency of said curve;

THENCE, South 35 degrees 31' 55" West, a distance of 81.68 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 12.07 along the arc of said curve to the left having a radius of 18.00 feet through a central angle of 38 degrees 25' 39" and a chord that bears South 16 degrees 19' 05" West, a distance of 11.85 feet to the end of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 13.90 feet to an exterior corner of the herein described tract;

THENCE, North 75 degrees 46' 46" West, a distance of 1.78 feet to the point of curvature of a curve to the right;

THENCE, northwesterly, a distance of 14.05 feet along the arc of said curve to the right having a radius of 110.00 feet through a central angle of 07 degrees 19' 12" and a chord that bears North 72 degrees 07' 10" West, a distance of 14.04 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 42.41 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 45.27 feet along the arc of said curve to the left having a radius of 150.00 feet through a central angle of 17 degrees 17' 31" and a chord that bears South 27 degrees 23' 35" West, a distance of 45.10 feet to the point of tangency of said curve;

THENCE, South 18 degrees 44' 49" West, a distance of 169.30 feet to a point in

the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) and being on the arc of a curve to the right at the most southerly corner of the herein described tract;

THENCE, northwesterly, along said northerly right-of-way line a distance of 8.72 feet along the arc of said curve to the right having a radius of 477.47 feet through a central angle of 01' 02' 47" and a chord

that bears North 70 degrees 43' 47" West, a distance of 8.72 feet to a Texas Department of Transportation monument found at the point of tangency of said curve;

THENCE, North 70 degrees 12' 24" West, continuing along said northerly right-of-way line, a distance of 13.91 feet to a Texas Department of Transportation monument found at the point of curvature of a curve to the right;

THENCE, northwesterly, continuing along said northerly right-of-way line a distance of 436.10 feet along the arc of said curve to the right having a radius of 2,694.79 feet through a central angle of 09 degrees 16' 20" and a chord that bears North 65 degrees 34' 13" West, a distance of 435.63 feet to an exterior corner of the herein described tract;

THENCE, North 28 degrees 41' 36" East, a distance of 35.02 feet to the point of curvature of a curve to the left;

THENCE, northeasterly, a distance of 17.75 feet along the arc of said curve to the left having a radius of 63.00 feet through a central angle of 16 degrees 08' 24" and a chord that bears North 20 degrees 37' 25" East, a distance of 17.69 feet to the point of reverse curvature of a curve to the right;

THENCE, northeasterly, a distance of 46.03 feet along the arc of said curve to the right having a radius of 112.50 feet through a central angle of 23 degrees 26' 36" and a chord that bears North 24 degrees 16' 31" East, a distance of 45.71 feet to the point of tangency of said curve;

THENCE, North 35 degrees 59' 48" East, a distance of 141.39 feet to the point of curvature of a curve to the right;

THENCE, northeasterly, a distance of 21.07 feet along the arc of said curve to the right having a radius of 37.50 feet through a central angle of 32 degrees 11' 39" and a chord that bears North 52 degrees 05' 38" East, a distance of 20.79 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 00' 12" West, a distance of 69.48 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 00' 04" West, a distance of 4.37 feet to an exterior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 186.81 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 15.94 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 40.00 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 98.56 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 235.19 feet to the POINT OF BEGINNING and containing a computed area of 13.958 acres (608,019 square feet) land. SAVE AND EXCEPT the following described tract;

SAVE AND EXCEPT TRACT

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract;

THENCE, South 37 degrees 21' 26" West, along the southeasterly line of said 13.5055 acre tract and along the northwesterly line of said 19.855 acre tract, a distance of 553.87 feet to a point;

THENCE, South 52 degrees 38' 34" East, a distance of 28.91 feet to the POINT OF BEGINNING and being an angle point of the herein described;

THENCE, North 76 degrees 11' 04" East, a distance of 35.74 feet to an angle point;

THENCE, South 53 degrees 58' 04" East, a distance of 117.23 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 30.50 feet to an interior corner of the herein described tract;

THENCE, South 53 degrees 58' 04" East, a distance of 5.52 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 252.00 feet to the most southerly corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 34.80 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears South 81 degrees 01' 56" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 16.00 feet to an exterior corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 90.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 15.50 feet to the point of curvature of a curve to the left;

THENCE, northwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears North 08 degrees 58' 04" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, North 53 degrees 58' 04" West, a distance of 15.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 255.68 feet to the POINT OF BEGINNING and containing a computed area of 0.973 of one acre (42,392 square feet) land, resulting in a net acreage of 12.985 acres (565,627 square feet) of land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT" prepared by Benchmark Engineering Corporation, Job Number 03112.

Parcel 2 (Reciprocal Easements)

Rights, privileges and easement contained in Reciprocal Easement Agreement and Declaration of Covenants, Conditions, and Restrictions for Development and Operation of the North Cypress Medical Center Campus recorded June ___, 2005 under Clerk's File No. _____ of the Official Records.

EXHIBIT "B"

PERMITTED TITLE EXCEPTIONS

1. All taxes for the year 2006 and subsequent years not yet due and payable, and any additional taxes resulting from reassessment of subject property.

2. Restrictions recorded in Volume 5943, Page 51, of the Deed Records of Harris County, Texas.

3. Terms, conditions and stipulations regarding development of the subject property, as set forth and defined in instrument filed for record under Clerk's File No. R488062, of the Official Records of Harris County, Texas.

4. Easement to Harris County Municipal Utility District No. 248 recorded in Clerk's File No. T954404, of the Official records of Harris County, Texas granting an easement 20 feet wide along the north 83.13 feet of the east property line.

5. Mineral and/or royalty interest recorded in Volume 5943, Page 51, of the Deed records of Harris County, Texas.

6. Mineral and/or royalty interest recorded in Volume 7725, Page 211, of the Deed records of Harris County, Texas.

7. Ordinance #1999-262, of the City of Houston, passed March 24, 1999, and amendments, pertaining to the platting and replatting of real property and the establishment of building set back lines along major thoroughfares within such boundaries.

8. City of Houston Ordinance 91-1701 regarding the planting, preservation and maintenance of trees and decorative landscaping, a certified copy of which is filed for record under Clerk's File No. N556388, of the Official Records of Harris County, Texas.

9. Inclusion within Harris County Municipal Utility District No. 248.

10. Terms and conditions of that certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions, and Restrictions for Development and Operation of the North Cypress Medical Center Campus recorded June _____, 2005 under Clerk's File No. _____ of Official Records.

11. Sub-leasehold pursuant to the terms and conditions of that certain Sublease Agreement (Pre-construction) between MPT of North Cypress, L.P. as Lessor and North Cypress Medical Center Operating Company, Ltd. as Lessee, a memorandum of which is recorded June _____, 2005 under Clerk's File No. _____ of Official Records.

12. Leasehold and sub-leasehold pursuant to the terms and conditions of that certain Lease Agreement (Post-construction) between MPT of North Cypress, L.P. as Lessor and North Cypress Medical Center Operating Company, Ltd. as Lessee, a memorandum of which is recorded June _____, 2005 under Clerk's File No. _____, of the Official Records of Harris County, Texas.

EXHIBIT "C"

LEASES TO BE ASSIGNED

Net Ground Lease (Hospital Tract) between North Cypress Property Holdings, Ltd., as Lessor and MPT of North Cypress, L.P. as Lessee, a memorandum of which is recorded June _____, 2005 under Clerk's File No. _____, of the Official Records of Harris County, Texas.

EXHIBIT 10.43

LEASE AGREEMENT

MPT OF NORTH CYPRESS, L.P.,
A DELAWARE LIMITED PARTNERSHIP

LANDLORD

AND

NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD.,
A TEXAS LIMITED PARTNERSHIP

TENANT

PROPERTY: NORTH CYPRESS HOSPITAL FACILITY
HARRIS COUNTY, TEXAS

AS OF JUNE 1, 2005

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LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is dated as of the ___ day of June, 2005, but effective as of June 1, 2005, and is between MPT OF NORTH CYPRESS, L.P., "(Landlord") a Delaware limited partnership, having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama, 35242, and NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD., ("Tenant"), a Texas limited partnership, having its principal office at 6830 North Eldridge Parkway, Suite 406, Houston, Texas 77041.

W I T N E S S E T H:

WHEREAS, Landlord and Northern Healthcare Land Ventures, Ltd. entered into the Parking Area Ground Lease pursuant to which Landlord leased and rented from Northern Healthcare Land Ventures, Ltd. the Northeast Parking Parcel;

WHEREAS, Landlord will, prior to the Commencement Date, purchase the Land from North Cypress Property Holdings, Ltd. pursuant to, and subject to the terms of, that certain Contract for Purchase and Sale of Real Property dated effective as of June 1, 2005 (the "Land Purchase Contract");

WHEREAS, pursuant to that certain Sublease Agreement dated effective as of June 1, 2005 (the "Pre-Construction Sublease") Tenant subleased the Land and the Northeast Parking Parcel from Landlord and constructed thereon the Leased Improvements;

WHEREAS, on the Commencement Date Tenant will convey title to the Leased Improvements to Landlord pursuant to, and subject to the terms of, the Purchase Agreement; and

WHEREAS, provided Landlord has purchased the Land from North Cypress Property Holdings, Ltd. pursuant to the Land Purchase Contract and acquired title to the Leased Improvements pursuant to the Purchase Agreement on or prior to the Commencement Date, Landlord shall lease the Land and the Leased Improvements and sublease the Northeast Parking Parcel to Tenant, and Tenant shall lease the Land and Leased Improvements and sublease the Northeast Parking Parcel from Landlord, on the terms and conditions herein set forth.

NOW THEREFORE, for and in consideration of the premises, the covenants and representations herein made and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Landlord and Tenant do hereby agree as follows:

ARTICLE I

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:

Acceptance Notice: As defined in Section 32.2.

Additional Charges: As defined in Section 3.2.

Additional Letter of Credit: As defined in Section 32.8.

Adjustment Date: As defined in Section 3.1(b).

Affiliate: When used with respect to any corporation, limited liability company, or partnership, 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(c).

Base Rent: As defined in Section 3.1(a).

Building: As defined in Article II.

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 Addition: 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 Addition whether or not paid for by Tenant or Landlord. Such cost shall include (a) the cost of construction of the Capital Addition, 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 Landlord, (b) if agreed to by Landlord in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Addition 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 Addition 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, transfer taxes or other similar charges, if any, and (h) all reasonable costs and

expenses of Landlord and any Lending Institution which has committed to finance the Capital Addition, 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, intangible taxes and recording 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 Addition.

Capital Improvement Reserve: As defined in Section 9.1(e).

Code: The Internal Revenue Code of 1986, as amended.

Commencement Date: As defined in Article II.

Condemnation: As defined in Section 15.1(a).

Condemnor: As defined in Section 15.1(d).

Conditions Precedent: As defined in Section 2.2.

Consolidated Net Worth: At any time, the sum of the following for Tenant and its respective consolidated subsidiaries on a consolidated basis determined in accordance with GAAP.

(a) the amount of capital or stated capital (after deducting the cost of any treasury shares), plus

(b) the amount of capital surplus and Retained Earnings (or, in the case of a capital surplus or Retained Earnings deficit, minus the amount of such deficit), minus

(c) the sum of the following (without duplication of deductions in respect of items already deducted in arriving at surplus and retained earnings): (i) unamortized debt discount and expense and (ii) any write-up in book value of assets resulting from a revaluation thereof pursuant to GAAP subsequent to the most recent Income Statements prior to the date thereof, except any net write-up in value of foreign currency in accordance with GAAP; any write-up resulting from reversal of a reserve for bad debts or depreciation; and any write-up resulting from a change in methods of accounting for inventory.

Construction Loan Agreement. As defined in Section 33.7.

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, 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 Consumer Price Index had not been discontinued or revised.

Cost Component: As defined in Section 3.1(a).

Credit Enhancements: All security deposits, security interests, letters of credit, pledges, guaranties, prepaid rent or other sums, deposits or interests held by Tenant, if any, with respect to the Leased Property, the Secondary Leases or the Lessees.

Date of Taking: As defined in Section 15.1(b).

Deposit Reduction Criteria: As defined in Section 3.4(c).

EBITDAR: For any calculation period, earnings for such period before the deduction of interest, taxes, depreciation, amortization and rent for such period, as those terms are determined in accordance with GAAP.

EBITDAR Lease Coverage: For any calculation period, EBITDAR for such period divided by the sum for such period of all scheduled lease payments, debt service payments (including payments of principal and interest), and payments to fund required reserves.

EBITDAR Total Fixed Charge Coverage: For any calculation period, EBITDAR for such period divided by payments of Base Rent for such period.

Encumbrances: As defined in Article XXVIII.

Event of Default: As defined in Section 16.1.

Expansion Improvements: As defined in Section 10.1(a).

Extension Notice: As defined in Article II.

Extension Term: As defined in Article II.

Facility: The licensed general acute care hospital facility to be operated in the Building, all improvements constructed in connection therewith and all licenses and other intangibles necessary for the operation of such hospital facility.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Value: The price at which property would change hands between a willing seller and a willing buyer, neither being under any compulsion to buy or sell and both having full knowledge of all facts relevant to the property.

Fair Market Value of the Leased Property: The Fair Market Value of the Leased Property shall at any time be its Fair Market Value, including all Capital Additions, and shall:

(a) be determined in accordance with the appraisal procedures set forth in Article XXVII or in such other manner as shall be mutually acceptable to Landlord and Tenant;

(b) not take into account any reduction in value resulting from any indebtedness to which the Leased Property is subject and which encumbrance Tenant or Landlord 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 the Fair Market Value of the Leased Property 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 the Fair Market Value of the Leased Property);

(c) assume this Lease is not terminated prior to the expiration of the Fixed Term; and

(d) be based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to Tenant's operations.

Fair Market Added Value: The Fair Market Value of the Leased Property (including all Capital Addition) less the Fair Market Value of the Leased Property determined as if no Capital Addition paid for by Tenant had been constructed.

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 II.

Fixtures: As defined in Article II.

Full Replacement Cost: As defined in Section 13.1.

GAAP: Generally accepted accounting principles as consistently applied in the United States and in effect from time to time.

Ground Rent Component: As defined in Section 3.1(a).

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 Law.

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, 49 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq., the Clean Air Act, 42 U.S.C. Sections 741 et seq., the Clean Water Act, 33 U.S.C. Section 7401, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j, 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 Monetary 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.

Impositions: Collectively, all civil monetary penalties, fines and overpayments imposed by state and federal regulatory authorities, all taxes (including, without limitation, all capital stock and franchise taxes of Landlord, all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes), 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 Tenant), which at any time prior to, during or in respect of the Term may be assessed or imposed on or in respect of or be a lien upon (a) Landlord or Landlord'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 Tenant to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Landlord, or (2) any transfer or net revenue tax of Landlord, or (3) any tax imposed with respect to the sale, exchange or other disposition by Landlord 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 Tenant is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term 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 Tenant shall pay.

Income Statements: For any fiscal year or other accounting period for Tenant and its 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.

Insurance Requirements: All terms of any insurance policy required by this Lease or any such additional insurance which Lessor may reasonably require and all requirements of the issuer of any such policies.

Land: That tract of real property located in Harris County, Texas and being more particularly described on EXHIBIT A attached hereto.

Land Purchase Contract: As defined in the second (2nd) `WHEREAS' clause of this Lease.

Landlord: As defined in the Preamble and any successor or assign thereof.

Landlord's Notice Address: As defined in Section 13.4.

Lease: As defined in the Preamble.

Lease Deposit: As defined in Section 3.4.

Lease Assignment: That certain Assignment of Rents and Leases dated on or about the Commencement Date executed by Tenant to Landlord, pursuant to the terms of which Tenant will assign to Landlord each of the Secondary Leases and Credit Enhancements, if any, as security for the obligations of Tenant under this Lease, and any other obligations of Tenant to Landlord, or any Affiliate of Tenant to Landlord.

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: As defined in Article II.

Leased Property: As defined in Article II.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting Tenant's operation of its business on the Leased Property, the Leased Property or the construction, use or alteration of the Leased Improvements (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 Tenant (other than encumbrances created by Landlord without the consent of Tenant), at any time in force affecting the Leased Property.

Lender. As defined in Section 33.7.

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 $50,000,000.

Lessees: The lessees or tenants under the Secondary Leases.

Letter of Credit: As defined in Section 3.4(b).

Licenses: As defined in Section 30.1.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the Land 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 pursuant to a Management Agreement.

Medicaid: The medical assistance program established by the State under 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.

Non-Capital Additions: As defined in Section 10.4.

Northeast Parking Parcel: That tract of real property located in Harris County, Texas, and being more particularly described on EXHIBIT C attached hereto.

Offer Notice Period: As defined in Section 33.2.

Offer Request Notice: As defined in Section 33.2.

Officer's Certificate: A certificate of Tenant signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Tenant or another officer authorized to so sign by the Board of Directors or other governing body of Tenant, 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.

Organizational Documents: As defined in Section 8.7.

Overdue Rate: On any date, the rate per annum which is the greater of (i) eighteen percent (18%) or (ii) the highest rate allowed by the laws of the State.

Parking Area Ground Lease: That certain Net Ground Lease (Northeast Parking Parcel) dated effective as of June 1, 2005, by and between Northern Healthcare Land Ventures, Ltd., as landlord, and Landlord, as tenant, pursuant to which the Northeast Parking Parcel is leased to Landlord.

Pre-Construction Sublease: As defined in the third (3rd) `WHEREAS' clause of this Lease.

Permitted Exceptions: As defined in Article II.

Primary Intended Use: As defined in Section 7.2(b).

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: The Purchase and Sale Agreement dated effective as of June 1, 2005 between Tenant and Landlord, relating to the acquisition of the Leased Improvements by Landlord from Tenant and the leasing of such improvements by Landlord to Tenant.

Purchase Offer As defined in Section 33.2.

Put Option: As defined in Section 33.9.

REA: That certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions and Restrictions for Development and Operation of the North Cypress Medical Center Campus, dated effective as of June 1, 2005, by and among Northern Healthcare Land Ventures, Ltd., Northern Healthcare Land Ventures-II, Ltd. and North Cypress Property Holdings, Ltd., recorded or to be recorded in the land records of Harris County, Texas. The REA encumbers the Land and the Northeast Parking Parcel.

Release: As defined in Section 8.3(b).

Rent: Collectively, the Base Rent and the Additional Charges.

Request: As defined in Section 10.3(a).

Retained Earnings: The accumulated undisturbed earnings of the Company retained for future needs or for future distributions to owners of the Company.

Secondary Leases: All leases, subleases and other rental agreements (written or verbal, now or hereafter in effect), if any, that grant a possessory interest in and to any space in the Leased Property, or that otherwise have rights with regard to the Leased Property, and all Credit Enhancements, if any, held in connection therewith.

Security Agreement: That certain Security Agreement to be dated on or about the Commencement Date executed by Tenant to Landlord, pursuant to the terms of which Tenant will grant to Landlord a first lien and security interest in all of Tenant's rights under this Lease and in and to certain of Tenant's Personal Property and to all of the Licenses.

Single Purpose Entity: An entity which (i) exists solely for the purpose of leasing the Leased Property and operating the Facility, (ii) conducts business only in its own name, (iii) does not engage in any business other than the operation of the Facility and those ancillary services normally performed by a hospital, (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 Leased Property which it leases from Landlord hereunder, (v) does not have any assets other than those related to its interest in the Leased Property and does not have any debt other than as permitted by this Lease and does not guarantee or otherwise obligate itself with respect to the debts of any other person or entity, (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) observes limited liability company/partnership/corporate formalities, as the case may be, independent of any other entity.

State: The state in which the Land is located.

Taking: A taking or voluntary conveyance during the Term 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.

TDH: Texas Department of Health.

Tenant: As defined in the Preamble and any successor and assign herein permitted.

Tenant's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property, and consumable inventory and supplies, used or useful in the operation of the Facility, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Tenant's operating licenses but excluding Tenant's accounts receivables and any items included within the definition of Fixtures.

Term: The actual duration of this Lease from and after the Commencement Date, including the Fixed Term and the Extension Terms (if exercised by Tenant) and taking into account any termination.

Test Rate: As defined in Section 10.2(c)(ii).

Unsuitable for its Primary Intended Use: By reason of damage or destruction, or a partial Taking by Condemnation, the Facility cannot be operated 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 II

LEASED PROPERTY AND TERM

2.1 LEASED PROPERTY AND TERM. Subject to the satisfaction of the Conditions Precedent in Section 2.2 below, upon and subject to all of the other terms and conditions set forth in this Lease, Landlord leases to Tenant and Tenant rents from Landlord the following property (collectively, the "Leased Property"):

(a) the Land;

(b) the sixty-four (64) bed, two hundred twenty-five thousand (225,000) gross square feet general acute care hospital building (the "Building") located on the Land, all Fixtures and other improvements of every kind including, but not limited to, 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 related to the Building, and Capital Additions financed by Landlord (collectively, the "Leased Improvements");

(c) the Northeast Parking Parcel;

(d) all easements, rights and appurtenances relating to the Land, the Northeast Parking Parcel and the Leased Improvements; and

(e) all permanently affixed equipment, machinery, fixtures and other items of real and/or personal property, including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Building, the Land, and the Northeast Parking Parcel, 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 systems, cable transmission, built-in 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 (collectively, the "Fixtures").

1. SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto and incorporated herein by reference (the "Permitted Exceptions"), Tenant shall have and hold the Leased Property for a fixed term (the "Fixed Term") commencing on the date on which Landlord acquires title to the Leased Improvements pursuant to the Purchase Agreement (the "Commencement Date"), and ending at midnight on the fifteenth (15th) anniversary of the Commencement Date.

2.2 CONDITIONS PRECEDENT. The obligations of Landlord to lease the Leased Property to Tenant and of Tenant to lease the Leased Property from Landlord are subject to and conditioned upon, and the Term of this Lease shall commence only upon, satisfaction of each of the following conditions precedent (the "Conditions Precedent"):

(a) Landlord shall have acquired title to the Land pursuant to the Land Purchase Contract;

(b) Landlord shall have acquired title to the Leased Improvements pursuant to the Purchase Agreement; and

(c) No Landlord Default shall have occurred pursuant to Section 17.1 of the Pre-Construction Sublease resulting in the exercise of Tenant's remedy under Section 17.2 thereof.

In the event that either or both of the Conditions Precedent specified in Section 2.2(a) or (b) are not satisfied and the Land Purchase Contract and/or the Purchase Agreement are terminated pursuant to their respective terms, then this Lease shall thereupon terminate and be of no further force or effect and the Pre-Construction Sublease shall continue in effect, or terminate, in accordance with its terms. In the event the Condition Precedent specified in Section 2.2(c) is not satisfied, then this Lease shall terminate and be of no further force or effect effective upon Tenant's exercise of its remedy as specified in Section 17.2 of the Pre-Construction Sublease.

2.3 EXTENSION RIGHTS. So long as no Event of Default has occurred and is continuing under this Lease, Tenant 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"). Tenant may exercise each such option by giving written notice to Landlord at least six (6) months prior to the expiration of the Fixed Term or the Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Landlord, Tenant shall fail to comply with all of the terms and provisions of this Lease or an Event of Default shall occur under this Lease, Tenant shall be deemed to have forfeited all Extension Options, including the extension for which the Extension Notice was given. If Tenant does not timely deliver an Extension Notice, all subsequent options to extend shall be deemed to have lapsed and the Term shall expire at the end of the Fixed Term or then applicable Extension Term.

2.4 REA RESTRICTIONS. Pursuant to Section 9.03 of the REA, Tenant is hereby notified that the restrictions, regulations and conditions regarding operation and use of the Campus (as defined in the REA), a copy of which are attached hereto as EXHIBIT D and by this reference made a part hereof, effect the Premises and that Tenant must comply with the same.

ARTICLE III

RENT

3.1 BASE RENT. Tenant shall pay to Landlord, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Landlord's

address set forth herein or at such other place or to such other person, firms or entity as Landlord from time to time may designate in writing, rent during the Term, as follows:

(a) BASE RENT: Subject to adjustment as provided in Sections 3.1(b) and 10.3(b)(iv), during the Term, Tenant shall pay Landlord rent (the "Base Rent") in an amount equal to the sum of (a) ten and one-half percent (10.5%) per annum of the Total Development Costs (as defined in and determined under the Pre-Construction Sublease) [the portion of the Base Rent specified in this clause (a) being referred to herein as the "Cost Component"], plus (b) the amount set forth in Schedule 3 for the applicable period [the portion of the Base Rent specified in this clause (b) being referred to herein as the "Ground Rent Component"]. Base Rent shall be payable in advance in equal, consecutive monthly installments on the first (1st) day of each calendar month of the Term, commencing on Commencement Date (prorated as to any partial month).

(b) ADJUSTMENT OF BASE RENT: Commencing on the first January 1 subsequent to the Commencement Date, and on each January 1 thereafter (each an "Adjustment Date") during the Term, the Cost Component of the Base Rent shall be increased by an amount equal to the greater of (A) two and one-half percent (2.5%) per annum of the prior year's Cost Component, or (B) the percentage by which the Consumer Price Index on the Adjustment Date shall have increased over the Consumer Price Index figure in effect on the then just previous Adjustment Date. If the previous year's Cost Component of Base Rent is for a partial year, such Cost Component shall be annualized for purposes of this adjustment.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent (a) Tenant also will pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions relating to the Leased Property and the Facility, including, without limitation, all licensure violations, civil monetary penalties and fines, all common area expenses and other charges assessed against the Leased Property and/or the Facility pursuant to the REA, and (b) in the event of any failure on the part of Tenant to pay any of those items referred to in clause (a) above, Tenant also will 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 Landlord 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 shall not be paid within five (5) Business Days after its due date, Tenant will pay Landlord on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Tenant pays any Additional Charges to Landlord pursuant to any requirement of this Lease, Tenant shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Landlord, so that this Lease shall yield to Landlord 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. Tenant further acknowledges and agrees that all charges, assessments or payments of any kind due and payable under the Permitted Exceptions shall be paid by Tenant as such charges, assessments or payments become due and payable.

3.4 LEASE DEPOSIT.

(a) Tenant shall pay to Landlord on the Commencement Date a security deposit in an amount equal to ten and one-half percent (10.5%) of the Total Development Costs (as defined in and determined under the Pre-Construction Sublease) [the "Lease Deposit"]. The Lease Deposit shall be held by Landlord as security for the performance by Tenant of Tenant's covenants and obligations under this Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Landlord's damages in case of default by Tenant. Landlord may, from time to time, without prejudice to any other remedy, use the proceeds thereof to make good any arrearages of Rent, to satisfy any other covenant or obligation of Tenant hereunder or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of any default by Tenant. Following any such use of the Lease Deposit by Landlord, Tenant shall deliver to Landlord on demand an amount sufficient to restore the aggregate amount held by Landlord to the amount of the original Lease Deposit. If Tenant is not in default at the termination of this Lease, and has complied with all of the provisions of this Lease to be performed by Tenant, including surrender of the Leased Property in accordance with the provisions hereof, the Lease Deposit shall be returned by Landlord to Tenant, subject to any draws which have previously been made by Landlord against the Lease Deposit and not replenished by Tenant. Tenant will not assign or encumber Tenant's interest in the Lease Deposit, and neither Landlord nor Landlord's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Landlord is not required to hold the Lease Deposit in an interest bearing account; however in the event Landlord, at its sole election, shall hold the Lease Deposit in an interest bearing account; any interest earned on the Lease Deposit will be for the sole benefit of the Landlord and shall not in any way reduce any amounts owed by Tenant under the terms hereof. Except as otherwise provided under applicable law, Landlord may co-mingle the Lease Deposit with other funds of Landlord.

(b) The Lease Deposit, at Tenant's option, may be made by the delivery to Landlord of a letter of credit in the required amount (the "Letter of Credit"). The Letter of Credit shall be unconditional, irrevocable and payable on demand, in the form attached hereto as EXHIBIT E and by this reference made a part hereof, and the issuing bank shall be Republic National Bank or a similar institution having comparable assets which is acceptable to Landlord. The term of the Letter of Credit shall be at least one (1) year and Tenant shall renew the Letter of Credit within thirty (30) days prior to the expiration of the term of the Letter of Credit and shall continue such renewals until such date which is sixty (60) days beyond the expiration of the Term. In the event Tenant shall fail to timely renew the Letter of Credit as provided above, Landlord shall have the right to draw upon the Letter of Credit. The funds received by Landlord from a drawing upon the Letter of Credit shall become the Lease Deposit and shall be held and utilized in accordance with the terms of this Lease.

(c) At such time as the operations from the Facility have a sustained EBITDAR coverage of at least two (2) times Base Rent for two (2) consecutive Fiscal Years (the "Deposit Reduction Criteria"), the amount of the Lease Deposit shall be reduced by one-half. Tenant shall notify Landlord in writing that Tenant has met the Deposit Reduction Criteria, and shall provide Landlord with evidence satisfactory to Landlord that Tenant has met the Deposit Reduction Criteria. Thereafter, Landlord, if the Lease Deposit shall be a cash deposit, shall deliver one-half of the Lease Deposit to Tenant. In the event the Lease Deposit held by Landlord is a Letter of Credit, then upon receipt of the said notice and evidence and a substitute Letter of Credit, which satisfies the conditions of Section 3.4(b) in an amount equal to six (6) months of Base Rent, Landlord shall return the original Letter of Credit to Tenant. For purposes of this Lease, the reduced Lease Deposit as provided above or the substituted Letter of Credit shall be deemed the "Lease Deposit".

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to the terms of Article XII, Tenant 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 authorities or other party to whom such Imposition is payable where feasible, and Tenant will promptly, upon request, furnish to Landlord copies of official receipts or other satisfactory proof evidencing such payments. Tenant's obligation to pay the Impositions shall be deemed absolutely fixed upon the date the Imposition becomes a lien upon the Leased Property or any part thereof. If any Imposition may, at the option of the Landlord, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant 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 (subject to Tenant's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Landlord, at its expense, shall prepare and file all tax returns and reports as may be required by governmental authorities in respect of Landlord's net income, gross receipts, franchise taxes and taxes on its capital stock, and Tenant, at its expense and to the extent permitted by applicable laws and regulations shall prepare and file all 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 Tenant, the same shall be paid over to or retained by Tenant if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Landlord due to an Event of Default shall be applied as provided in Article XVI. Landlord and Tenant 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, Tenant shall file all personal property tax returns in such jurisdictions where filing is required and Tenant may legally make such filing. Landlord, to the extent it possesses the same, and Tenant, 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 Landlord is legally required to file personal

property tax returns, Tenant will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Tenant to file a protest. Tenant may, upon giving notice to Landlord, at Tenant's option and at Tenant's sole cost and expense, protest, appeal, or institute such other proceedings as Tenant may deem appropriate to effect a reduction of real estate or personal property assessments and Landlord, at Tenant's expense, shall fully cooperate with Tenant in such protest, appeal, or other action. Billings for reimbursement by Tenant to Landlord 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 shall be adjusted and prorated between Landlord and Tenant, whether or not such Imposition is imposed

before or after such termination, and Tenant's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Tenant will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water, voice, video and data and other utilities used in the Facility during the Term.

4.4 INSURANCE PREMIUMS. Tenant 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.

ARTICLE V

NO TERMINATION

5.1 TRIPLE NET LEASE. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Tenant shall remain bound by this Lease in accordance with its terms and, without the consent of Landlord, shall neither take any action to modify, surrender or terminate this Lease, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent. The respective obligations of Landlord and Tenant shall not be 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, Tenant'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 Tenant has or might have against Landlord or by reason of any default or breach of any warranty by Landlord under this Lease or any other agreement between Landlord and Tenant, or to which Landlord and Tenant are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Landlord or any assignee or transferee of Landlord, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Tenant from any such obligations as a matter of law. Tenant 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 Tenant to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Tenant

hereunder, except as otherwise specifically provided in this Lease. The obligations of Landlord and Tenant hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated 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 LAND AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LAND. Tenant acknowledges that Landlord is the owner of the Land and the ground lessee of the Northeast Parking Parcel, and that Tenant has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 TENANT'S PERSONAL PROPERTY. Tenant, at its expense, shall install, affix, assemble and place on the Land or in the Leased Improvements, Tenant's Personal Property, which Tenant's Personal Property shall be subject to the security interests and liens as provided in Section 16.8 below. Tenant shall not, without the prior written consent of Landlord (which consent may be withheld in the event Tenant is in default hereunder), remove Tenant's Personal Property from the Leased Property. Tenant shall provide and maintain during the Term all such Tenant'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 Landlord as provided herein, all of Tenant's Personal Property not removed by Tenant within thirty (30) days following the expiration or earlier termination of this Lease shall be

considered abandoned by Tenant and may be appropriated, sold, destroyed or otherwise disposed of by Landlord without first giving notice thereof to Tenant, without any payment to Tenant and without any obligation to Tenant to account therefor. Tenant, at its expense, will restore the Leased Property and repair all damage to the Leased Property caused by the removal of Tenant's Personal Property, whether effected by Tenant or Landlord.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Tenant acknowledges receipt and delivery of possession of the Leased Property and that Tenant 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 satisfactory for its purpose hereunder. Tenant is leasing the Leased Property "as is" in its present condition. Tenant waives any claim or action against Landlord in respect of the condition of the Leased Property. LANDLORD 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 TENANT.

7.2 USE OF THE LEASED PROPERTY.

(a) Tenant covenants that it will apply for, obtain and maintain throughout the Term all approvals and licenses needed to use and operate the Leased Property and the Facility for the Primary Intended Use under applicable local, state and federal law, including but not limited to licensure approvals and Medicare and Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities and accreditation organizations, if any, that are necessary for the operation of the Facility as a general acute care hospital facility. Tenant acknowledges that the Land and the Northeast Parking Parcel are encumbered by the REA and agrees that Tenant will fully and completely comply with the terms of the REA in connection with the use of the Leased Property and the operation of the Facility.

(b) During the Term, Tenant shall use or cause to be used the Leased Property as a general acute care hospital facility in accordance with the approval received from TDH and as currently defined in the health care industry and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Tenant shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Landlord, which Tenant agrees may be withheld in Landlord's sole discretion. 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 Tenant 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 under applicable fire underwriters regulations. Tenant, at its sole cost, shall comply with all 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 Tenant's Personal Property.

(c) Tenant covenants and agrees that during the Term Tenant will continuously operate the Leased Property only as a provider of healthcare services in accordance with the Primary Intended Use and that Tenant shall maintain all required certifications for reimbursement and licensure and all accreditations.

(d) Tenant shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Tenant cause or permit

any nuisance thereon.

(e) Tenant shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Landlord, or Tenant's

Personal Property, to be used in such a manner as (i) might reasonably tend to impair Landlord's (or Tenant'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.

7.3 LANDLORD TO GRANT EASEMENTS. Landlord, from time to time so long as no Event of Default has occurred and is continuing, at the request of Tenant and at Tenant's cost and expense, but subject to the approval of Landlord, which approval shall not be unreasonably withheld, shall request the Land Owner to (a) grant easements and other rights in the nature of easements, (b) release existing easements or other rights in the nature of easements 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 Landlord and the Land Owner of an Officer's Certificate stating (and such other information as Landlord and the Land Owner 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 the value of the Leased Property and the Facility.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Tenant, 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, the Facility and Tenant'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 Landlord's request, Tenant shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Tenant covenants and agrees that the Leased Property and Tenant's Personal Property shall not be used for any unlawful purpose. Tenant shall acquire and maintain and shall use its best efforts to have Lessees acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in a manner customary for the industry of the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Tenant further covenants and agrees that Tenant's use of the Leased Property

and 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.

(a) During the Term, Tenant (i) shall comply, and cause the Leased Property to comply, with all Hazardous Materials Laws applicable to the

Leased Property (including the making of all submissions to governmental authorities required by Hazardous Materials Laws and the carrying out of any remediation program specified by such authority), (ii) shall prohibit the use of the Leased Property for the generation, manufacture, refinement, production, or processing of any Hazardous Material or for the storage, handling, transfer or transportation of any Hazardous Material (other than in compliance with the Hazardous Materials Laws and in commercially reasonable quantities in connection with the operation, business and maintenance of the Leased Property as a hospital facility and/or as a consumer or supplier of consumer products), (iii) shall not permit to remain, install or permit the installation on the Leased Property of any surface impoundments, underground storage tanks, transformers containing polychlorinated biphenyl, or asbestos-containing materials, and (iv) shall cause any improvements to or alterations of the Leased Property to comply with the Hazardous Materials Laws, and in connection with any such improvements or alterations shall remove any Hazardous Materials present upon the Leased Property which are not in compliance with Hazardous Materials Laws.

(b) Tenant agrees to protect, defend, indemnify and hold harmless Landlord, its directors, officers, members, partners, employees and agents, and any successors and assigns of Landlord from and against any and all liability, including all foreseeable and all unforeseeable damages including but not limited to attorneys' and consultants' fees, fines, penalties and civil or criminal damages, directly or indirectly arising out of the use, generation, storage, treatment, release, threatened release, discharge, spill, presence or disposal of Hazardous Materials from, on, at, to or under the Leased Property during the Term (collectively, "Release"), and including, without limitation, the cost of any required or necessary repair, response action, remediation, investigation, cleanup or detoxification and the preparation of any closure or other required plans arising out of or relating to any such Release. This agreement to indemnify and hold harmless shall be in addition to any other obligations or liabilities Tenant may have to Landlord at common law under all statutes and ordinances or otherwise, and shall survive following the date of expiration or earlier termination of this Lease. Tenant expressly agrees that the representations, warranties and covenants made and the indemnities stated in this Lease are not personal to Landlord, and the benefits under this Lease may be assigned to subsequent parties in interest to the chain of title to the Leased Property, which subsequent parties in interest may proceed directly against Tenant to recover pursuant to this Lease.

(c) Tenant shall promptly notify Landlord in writing upon Tenant's learning of any:

(i) notice or claim to the effect that Tenant is or may be liable to any person as a result of the release or threatened release of any Hazardous Material into the environment from the Leased Property;

(ii) notice that Tenant is subject to investigation by any governmental authority evaluating whether any remedial action is needed to respond to the release or threatened release of any Hazardous Material into the environment form the Leased Property;

(iii) notice that the Leased Property is subject to any environmental lien; and

(iv) notice of violation to Tenant or awareness by Tenant of a condition which might reasonably result in a notice of violation of any applicable Hazardous Material Law that could have a material adverse effect upon the Leased Property.

(d) Tenant shall maintain a "best practices" protocol for disposal of medical waste and upon request Tenant shall provide all evidence thereof which Landlord may require.

8.4 HEALTHCARE LAWS. Tenant warrants and represents that this Lease and all Secondary Leases are, and at all times during the Term will be, in compliance with all Healthcare Laws. Tenant agrees to add a provision or provisions to all of its third party agreements relating to the Leased Property

and/or the Facility, including, without limitation, all Secondary Leases, that in the event it is determined that such agreement and/or sublease is in violation of the Healthcare Laws, such agreement and/or sublease shall be promptly renegotiated so that same are in compliance with all Healthcare Laws and if the parties to such agreement or sublease cannot agree on the modifications thereto, Tenant immediately shall terminate such agreement or sublease. Tenant agrees promptly to notify Landlord in writing upon learning of or upon receipt of any notice of investigation of any alleged Healthcare Law violations. Tenant hereby agrees to indemnify and defend, at its sole cost and expense, and hold harmless Landlord, its successors and assigns, from and against and to reimburse Landlord 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 Landlord at any time and from time to time by reason or arising out of any breach by Tenant of any of the above covenants, representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES. Tenant represents and warrants to the Landlord as of the date hereof and as of the Commencement Date as follows:

(a) Tenant is a limited partnership duly organized and validly existing under the laws of the State of Texas.

(b) Tenant is duly authorized to enter into, deliver and perform this Lease and the Lease constitutes the valid and binding obligation of Tenant, enforceable in accordance with its terms.

(c) Neither the entering into of this Lease nor the performance by Tenant of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon Tenant.

(d) 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.

(e) There are no actions, suits or proceedings pending against or, to the knowledge of Tenant, its shareholders, directors, officers, employees and agents, threatened against or affecting Tenant or any Affiliate, 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 Tenant or the ability of Tenant to perform its obligations under this Lease or the other documents referred to herein.

(f) Tenant and its Affiliates are in compliance with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

(g) Tenant has obtained all certificates of need, Medicare billing numbers, and other licenses and agreements required by the Healthcare Laws to own and operate the Facility.

8.6 SINGLE PURPOSE ENTITY. Tenant is, at the time of the execution of this Lease, and shall remain at all times during the Term, a Single Purpose Entity created and to remain in good standing for the sole purpose of leasing the Leased Property and operating the Facility in accordance with the terms of this Lease. Simultaneously with the execution of this Lease, and as requested by Landlord at other times during the Term, Tenant shall provide Landlord evidence that Tenant is a Single Purpose Entity and is in good standing in the state of its organization and in the State.

8.7 ORGANIZATIONAL DOCUMENTS. Tenant shall not permit or suffer, without the prior written consent of Landlord (i) an amendment or modification of its Organizational Documents or the organizational documents of any constituent entity within Tenant, (ii) a change in the ownership or controlling interest in the general partner of Tenant, (iii) change in the ownership of more than twenty percent (20%) of the limited partnership interest in Tenant, (iv) any dissolution or termination of its existence, or (v) change in its state of formation or incorporation or its name. Tenant, prior to or simultaneously with the execution of this Lease, has delivered to Landlord a true and complete copy

of the articles of incorporation and by-laws, articles of organization/certificate of formation and limited liability company operating agreement or certificate of limited partnership and partnership agreement, as the case may be, creating Tenant, and all other documents creating and governing Tenant (collectively, the "Organizational Documents"). Tenant 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 shareholders, partners, or members of Tenant, 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.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Tenant, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto and Tenant's Personal Property in good first class order and repair (whether or not the need for such repairs occurs as a result of Tenant'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 (concealed or otherwise). All repairs, to the extent reasonably achievable, shall be at least equivalent in quality to the original work. Tenant 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. Tenant shall notify the Landlord of any and all repairs or improvements made to the Leased Property in excess of Fifty Thousand and 00/100 Dollars ($50,000.00).

(b) Landlord 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 Landlord shall be construed as (i) constituting the consent or request of Landlord, 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 Tenant 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 Landlord 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 Landlord in the Leased Property or any portion thereof.

(d) Unless Landlord shall convey any of the Leased Property to Tenant pursuant to the provisions of this Lease, Tenant, upon the expiration or prior termination of the Term, will vacate and surrender the Leased Property to Landlord in the condition

in which the Leased Property was originally received from Landlord, except as improved, constructed, 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 Tenant to maintain the Leased Property in good order and repair during the Term), damage caused by the gross negligence or willful acts of Landlord and damage or destruction described in Article XIV or resulting from a Taking which Tenant is not required by the terms of this Lease to repair or restore.

(e) All sums held by Landlord as part of the Capital Improvement Reserve established pursuant to Pre-Construction Sublease shall be held by Landlord as part of and shall constitute the Capital Improvement Reserve established under the Lease. On each January 1 after the Commencement Date, Tenant shall make annual deposits to a capital improvement reserve (the "Capital Improvement Reserve") at a financial institution of the Landlord's choosing. Such account shall require the signature of an officer of Tenant and Landlord to make withdrawals. The first annual deposit shall be equal to the product of the per bed deposit amount due for the last deposit into a capital reserve account under the Pre-Construction Sublease increased by two and one-half percent (2.5%) times the number of beds in the Facility (the number of beds to be determined by the actual number of beds certified to be available for use in the Facility). On each January 1 thereafter during the Term, the above indicated per bed deposit amount shall be increased by two and one-half percent (2.5%) per annum cumulative. Notwithstanding anything contained herein to the contrary, Tenant shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as needed to undertake the required Capital Improvements. The amount in the Capital Improvement Reserve, including interest, may be used by Tenant with Landlord's approval, which such approval will not be unreasonably withheld, or by Landlord with Tenant's approval, which such approval will not be unreasonably withheld, to pay for capital improvements to the Leased Property. Tenant hereby grants to Landlord a security interest in all monies deposited into the Capital Improvement Reserve and Tenant, within fifteen (15) days subsequent to the Commencement Date, shall execute all documents necessary for Landlord to perfect its security interest in the Capital Improvement Reserve. Landlord and Tenant agree that the first dollars of all capital expenditures made in each year during the Term shall be funded from the Capital Improvement Reserve account to the full extent of such account.

9.2 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, lawful restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Landlord, Tenant 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 Landlord or Tenant or (b) make such changes in the Leased Improvements, and take such other actions, as Landlord 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 for the Primary Intended Use substantially in the manner and to the extent the Facility was operated prior to the assertion of such violation or encroachment. Any such alteration shall be made in conformity with the applicable requirements of Article X. Tenant'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 Tenant shall be entitled to a credit for any sums recovered by Landlord under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) (i) If no Event of Default shall have occurred and be continuing under this Lease and the Secondary Leases, Tenant, except as expressly provided in this Article X to the contrary, 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 Landlord, provided, however, except as expressly provided in Section 10.2(d) hereof, Tenant shall not be permitted to create any Encumbrance on the Leased Property in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Tenant, at Tenant's sole cost and expense, shall (i) submit to Landlord in writing a proposal setting forth in reasonable detail any proposed Capital Addition and shall provide to Landlord such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Landlord may reasonably request, and (ii) 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.

(ii) No Capital Addition shall be made without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, (a) if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Tenant, 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, or (b) which would tie in or connect any Leased Improvements with any other improvements on property adjacent to the Leased Property, including, without limitation, tie-ins of buildings or other structures or utilities. All Capital Additions shall be architecturally integrated and consistent with the Leased Property.

(iii) Landlord acknowledges that Tenant intends to expand the Leased Improvements in the following manner (the "Expansion Improvements"):

1. The opening of the fourth (4th) floor of the Building from a shell to an active condition to add twenty-four (24) more beds in the second (2nd) year subsequent to the Commencement Date;

2. Construction of a fifth (5th) and sixth (6th) floor to the Building to add forty-eight (48) additional beds in the third (3rd) year subsequent to the Commencement Date;

3. Construction of four (4) additional operating rooms and a fifty percent (50%) expansion of the square footage of the emergency room in the third (3rd) year subsequent to the Commencement Date.

4. Construction of deck parking in the fourth (4th) year subsequent to the Commencement Date (such decked parking to be the replacement parking for the parking area located on the Northeast Parking Parcel);

5. Construction of additional improvements of a square footage required to increase total bed capacity of the Facility to between one hundred eighty (180) and two hundred (200) beds in the fifth year subsequent to the Commencement Date; and

6. Construction of a connection between the ground floor of the Building and the professional office building which an affiliate of Tenant intends to construct on a tract located adjacent to and southwest of the Land.

Landlord agrees that it will approve the Expansion Improvements without regard to the conditions set forth in Section 10.1(a)(iii) upon satisfaction of the following conditions:

(i) Landlord shall have received, reviewed and approved all plans and specifications for the Expansion Improvement, including without limitation, architectural, engineering and landscaping

plans;

(ii) Tenant shall deliver to Landlord a copy of all permits necessary or required to construct and operate the Expansion Improvement, including without limitation, building permit, certificate of need, and state license survey; and

(iii) Landlord shall determine, in its reasonable discretion, that the Expansion Improvement will not result in a diminution in the value of the Leased Property.

(b) Prior to commencing construction of any Capital Addition, for which Tenant plans to borrow funds, Tenant shall first request Landlord to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Landlord declines or is unable to provide such financing on terms acceptable to Tenant, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Addition shall be made without the consent of

Landlord, 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 Tenant, 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 any Leased Improvements with any other improvements on property adjacent to the Leased Property, including, without limitation, tie-ins of buildings or other structures or utilities, unless Tenant shall have obtained the prior written approval of Landlord, which approval in Landlord's sole discretion may be granted or withheld. All Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY TENANT. If Tenant provides or arranges to finance any Capital Addition, the following provisions shall be applicable:

(a) There shall be no adjustment in the Base Rent by reason of any such Capital Addition.

(b) Upon the expiration or earlier termination of this Lease, except by reason of the default by Tenant hereunder, Landlord shall compensate Tenant for each Capital Addition paid for or financed by Tenant in one of the following ways, determined in the sole discretion of Landlord:

(i) By purchasing all Capital Additions paid for by Tenant from Tenant for cash in the amount of the Fair Market Added Value of all such Capital Additions paid for or financed by Tenant; or

(ii) By purchasing all Capital Additions paid for by Tenant from Tenant by delivering to Tenant Landlord's purchase money promissory note in the amount of the 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 Landlord and Tenant.

(c) Landlord and Tenant agree that Tenant's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon Tenant's leasehold interest created hereunder provided such mortgage (i) shall be in an amount not to exceed the cost of the Capital Additions, (ii) shall be subordinate to this Lease and Landlord's rights herein, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Tenant's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LANDLORD.

(a) Tenant shall request that Landlord provide or arrange financing for a Capital Addition by providing to Landlord such information about the Capital Addition (a "Request") as Landlord may request, including without limitation, all information referred to in Section 10.1 above. Landlord may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days subsequent to receipt of a Request, Landlord shall notify Tenant as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it will 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. Tenant may withdraw its Request by notice to Landlord at any time before or after receipt of Landlord's terms and conditions.

(b) If Landlord agrees to finance the proposed Capital Addition, Tenant shall provide Landlord with the following prior to any advance of funds:

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans and other certificates, licenses, permits or documents requested by either Landlord or any lender with whom Landlord has agreed or may agree to provide financing which are necessary to confirm that Tenant 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 Tenant's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Landlord, 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 in an amount at least equal to the principal and interest on the debt incurred by Landlord to finance the Capital Addition;

(v) a deed conveying title to Landlord to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Landlord and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Landlord;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in Section 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in Section 10.3(b)(v) above, satisfactory in

form and substance to Landlord (A) updating the same without any additional exceptions, except as may be permitted by Landlord; 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 Landlord, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Landlord pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Landlord and (B) a lender's

policy of title insurance satisfactory in form and substance to Landlord and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Landlord, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the Fair Market 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 Cost; 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, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the Board of Directors of Tenant authorizing the execution and delivery of the lease amendment described above and any other instruments as may be reasonably required by Landlord and any Lending Institution advancing or reimbursing Tenant for any portion of the Capital Addition Cost.

(c) Upon making a Request, whether or not such financing is actually consummated, Tenant shall pay or agree to pay, upon demand, all reasonable costs and expenses of Landlord 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. transfer taxes, intangible taxes, and other similar charges, 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.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Article IX, Tenant shall have the right and the obligation to make additions, modifications or improvements to the Leased Property which are not Capital Additions ("Non-Capital Additions") from time to time as it, in its discretion, may deem to be desirable for the Primary Intended Use and to permit the Tenant to comply fully with its obligations set forth in this Lease, provided that 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 Tenant to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Landlord at any time, be included under the terms of this Lease and, upon expiration or earlier termination of this Lease, shall pass to and become the property of Landlord.

ARTICLE XI

LIENS

11.1 LIENS. Subject to the provisions of Article XII relating to permitted contests, Tenant 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 Landlord, or any easements granted pursuant to the provisions of Section 7.3, (d) liens for those taxes of Landlord which Tenant 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 GAAP 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 Landlord pursuant to the provisions of Article XXIX of this Lease. Unless otherwise expressly provided herein, Tenant shall not mortgage or grant any interest in, or otherwise assign, any part of the Tenant's rights and interests in this Lease, the Leased Property or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Facility during the Term without the prior written consent of the Landlord, which may be withheld at Landlord's sole discretion; provided nothing in this sentence shall prohibit or be deemed to prohibit the sale of additional limited partnership interest in Tenant as allowed under this Lease.

ARTICLE XII

PERMITTED CONTESTS

12.1 PERMITTED CONTESTS. Tenant, on its own or on Landlord's behalf (or in Landlord's name), but at Tenant's expense, 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 Landlord and from the Leased Property, (b) neither the Leased Property nor any Rent 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, Landlord 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 and 00/100 Dollars ($50,000.00), then, in any such event, (i) provided the Consolidated Net Worth of Tenant is then in excess of Fifty Million Dollars and 00/100 Dollars ($50,000,000.00), Tenant shall deliver to Landlord 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 Consolidated Net Worth of Tenant is not then in excess of Fifty Million Dollars and 00/100 Dollars ($50,000,000.00), then Tenant shall deliver to Landlord and its counsel an opinion of Tenant'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, Tenant shall give such reasonable security as may be demanded by Landlord 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 Tenant to contest the payment of Rent or any other sums payable by Tenant to Landlord 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 Landlord or Tenant, Tenant 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. Landlord, at Tenant's expense, shall execute and deliver to Tenant such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Tenant or if Landlord so desires, Landlord shall join as a party therein. Tenant shall indemnify and save Landlord harmless against any liability, cost or expense of any kind that may be imposed upon Landlord in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term, Tenant shall at all times keep the Leased Property and all property located in or on the Leased Property, including Tenant's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, Tenant shall obtain and maintain in effect throughout the Term, the kinds and amounts

of insurance deemed necessary by Landlord, including the insurance described below. All insurance shall be written by insurance companies (i) acceptable to Landlord, (ii) that are rated at least an "A-VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better, and (iii) authorized, licensed and qualified to do insurance business in the State. The aggregate amount of coverage by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Landlord (and any other entities as Landlord may deem necessary) as an additional insured and losses shall be payable to Landlord and/or Tenant 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 Landlord, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Landlord, (iii) permit Landlord to pay premiums at

Landlord's discretion, and (iv) as respects any third party liability claim brought against Landlord, obligate the insurer to defend Landlord as an additional insured thereunder. In addition, the policies shall name as an additional insured the holder ("Facility Mortgagee") of any mortgage, deed of trust or other security agreement securing any Encumbrance placed on the Leased Property in accordance with the provisions of this Lease ("Facility Mortgage"), if any, by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Landlord and each affected Facility Mortgagee. Evidence of insurance and/or Impositions shall be deposited with Landlord and, if requested, with any Facility Mortgagee(s). If any provision of any Facility Mortgage which constitutes a first lien on the Leased Property requires deposits of insurance to be made with such Facility Mortgagee, Tenant shall either pay to Landlord monthly the amounts required and Landlord shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Landlord, Tenant shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Tenant's Personal Property, shall insure against the following risks:

(a) All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Leased Property. The policy shall include coverage for subsidence. The deductible amount thereunder shall be borne by the Tenant in the event of a loss and the deductible must not exceed Ten Thousand and 00/100 Dollars ($10,000.00) per occurrence. Further, in the event of a loss, Tenant shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and Tenant further agrees that it will notify Landlord of any loss in the amount of Twenty Five Thousand and 00/100 Dollars ($25,000.00) or greater and that no claim at or in excess of Twenty Five Thousand and 00/100 Dollars ($25,000.00) thereunder shall be settled without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed by Landlord.

(b) Flood and earthquake insurance shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone.

(c) Insurance against loss of earnings in an amount sufficient to cover not less than twelve (12) months' lost earnings and written in an "all risks" form, either as an endorsement to the insurance required under Section 13.1(a) above, or under a separate policy.

(d) Worker's compensation insurance covering all employees in amounts that are customary for Tenant's industry.

(e) Commercial General Liability in a primary amount of at least Five Million and 00/100 Dollars ($5,000,000.00) per occurrence, bodily injury for injury or death of any one person and One Hundred Thousand and 00/100 Dollars ($100,000.00) for property damage for damage to or loss of property of others, subject to a Ten Million and

00/100 Dollars ($10,000,000.00) annual aggregate policy limit for all bodily injury and property damage claims, occurring on or about the Leased Property or in any way related to the Leased Property, including but not limited to, any swimming pools or other rehabilitation and recreational facilities or areas that are located on the Leased Property or otherwise related to the Leased Property. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability (if applicable).

(f) Automobile and vehicle liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of One Million and 00/100 Dollars ($1,000,000.00) per occurrence for bodily injury; One Hundred Thousand and 00/100 Dollars ($100,000.00) per occurrence for property damage; subject to an annual aggregate policy limit of One Million and 00/100 Dollars ($1,000,000.00).

(g) Umbrella liability insurance in the minimum amount of Ten Million and 00/100 Dollars ($10,000,000.00) for each occurrence and aggregate combined single limit for all liability, with a Ten Thousand and 00/100 Dollars ($10,000.00) self-insured retention for exposure not covered in underlying primary policies. The umbrella liability policy shall name in its underlying schedule the policies of commercial general liability, garage keepers liability, automobile/vehicle liability and employer's liability under the Worker's Compensation Policy.

(h) Professional liability insurance for any physician employed by Tenant or other employee or agent of Tenant providing services at the Facility in an amount not less than Five Million and 00/100 Dollars ($5,000,000.00) per individual claim and Ten Million and 00/100 Dollars ($10,000,000.00) annual aggregate.

(i) A commercial blanket bond covering all employees of the Tenant, including its officers and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least One Million and 00/100 Dollars ($1,000,000.00) subject to a deductible of no more than Ten Thousand and 00/100 Dollars ($10,000.00) per occurrence.

The term "Full Replacement Cost" as used herein, shall mean the actual replacement cost thereof from time to time, including increased cost of construction endorsement, less exclusions provided in the normal fire insurance policy. In the event either Landlord or Tenant believes that the Full Replacement Cost has increased or decreased at any time during the Term, it shall have the right to have such Full Replacement Cost re-determined by the fire insurance company which is then providing the largest amount of fire insurance carried on the Leased Property, hereinafter referred to as the "impartial appraiser". The party desiring to have the Full Replacement Cost so re-determined shall forthwith, on receipt of such determination by such impartial appraiser, give written notice thereof to the other party hereto. The determination of such impartial appraiser

shall be final and binding on the parties hereto, and Tenant shall forthwith increase, or may decrease, the amount of the insurance carried pursuant to this Article XIII, as the case may be, to the amount so determined by the impartial appraiser. Tenant shall pay the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Tenant shall maintain such additional insurance as may be required from time to time by any Facility Mortgagee and shall further at all times maintain adequate worker's compensation insurance coverage for all persons employed by Tenant at the Facility, in accordance with the requirements of applicable local, state and federal law.

13.3 WAIVER OF SUBROGATION. All insurance policies carried by either party covering the Leased Property, the Fixtures, the Facility and/or Tenant'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 other party. The parties hereto agree that their policies will include such a waiver clause or endorsement so long as the same is obtainable without extra cost, and in the event of such an extra charge the other party, at its election, may pay the same, but shall not be obligated to do so.

13.4 FORM OF INSURANCE. All of the policies of insurance referred to in this Article XIII shall be written in form satisfactory to Landlord and by insurance companies satisfactory to Landlord. Tenant shall pay all of the premiums therefor, and shall deliver such original policies, or a certified copy thereof (which is certified in writing by a duly authorized agent for the insurance company as a "true and certified" copy of the policy), or in the case of a blanket policy, a copy of the original policy, to Landlord 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 Tenant 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 to Landlord at the times required, Landlord shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Landlord upon written demand therefor, and failure to repay the same shall constitute an Event of Default. Each insurer mentioned in this Article XIII shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Landlord, that it will give to Landlord sixty (60) days' prior written notice (at Landlord's notice address as specified in this Lease ("Landlord'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 Landlord. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Tenant 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 Landlord has received not less than sixty (60) days' prior written notice at Landlord's Notice Address, 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 Landlord at Landlord's Notice Address.

13.5 INCREASE IN LIMITS. In the event that Landlord shall at any time deem the limits of the personal injury, property damage or general public liability insurance then carried to be insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Article XIII. If the parties shall be unable to agree thereon, the proper and reasonable limits for such insurance to be carried shall be determined by an impartial third party selected by the parties. Nothing herein shall permit the amount of insurance to be reduced below the amount or amounts required by any of the Facility Mortgages.

13.6 BLANKET POLICY. Notwithstanding anything to the contrary contained in this Article XIII, Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant provided that:

(a) Any such blanket policy or policies are acceptable to and have been approved by the Landlord;

(b) Any such blanket policy or policies shall not be changed, altered or modified without the prior written consent of the Landlord; and

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of sixty (60) days' written notice before the expiration or cancellation of such policies as required by Section 13.4) and shall provide for deductibles in amounts acceptable to Landlord.

13.7 NO SEPARATE INSURANCE. Tenant shall not, on Tenant'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 XIII to be furnished by, or which may reasonably be required to be furnished by, Tenant, 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 Landlord and all Facility Mortgagees, 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. Tenant shall immediately notify Landlord 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 shall be paid to Landlord and held by Landlord in trust (subject to the provisions of Section 14.7) and shall be made available for reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof, and shall be paid out by

Landlord 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 Landlord nor Tenant is required or elects to repair and restore, all such insurance proceeds) shall be retained by Landlord 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 Landlord except that any salvage relating to Capital Additions paid for by Tenant or to Tenant's Personal Property shall belong to Tenant.

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 Primary Intended Use, Tenant shall have the option, by giving written notice to Landlord 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 Tenant is not in default, or no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under this Lease and the Secondary Leases, to purchase Landlord's interest in the Leased Property from Landlord 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 Landlord does not accept Tenant's offer to so purchase within thirty (30) days after Landlord's receipt of Tenant's notice, Tenant may, after giving Landlord thirty (30) days' prior written notice, either withdraw its offer to purchase and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, terminate this Lease and, in the latter event, Landlord shall be entitled to retain the insurance proceeds, and Tenant shall pay to Landlord on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements 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, Tenant shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Tenant cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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 Tenant is not in default, or no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under the terms of this Lease and the Secondary Leases, Tenant shall have the option to purchase Landlord's interest in 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.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Landlord from the insurance required under Article XIII, Tenant 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 Tenant to Landlord (or a Facility Mortgagee if required) to be held in trust together with any other insurance proceeds for application to the cost of repair and restoration.

(d) In the event Landlord accepts Tenant's offer to purchase Landlord's interest in the Leased Property, this Lease shall terminate upon payment of the purchase price and Landlord shall remit to Tenant all insurance proceeds being held in trust by Landlord or the Facility Mortgagee if applicable.

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 Tenant carried the insurance customarily maintained by, and generally available to, the operators of reputable health care facilities in the region in which the Facility is located, then whether or not such damage or destruction renders the Facility Unsuitable for its Primary Intended Use, Tenant shall restore the Facility to substantially the same condition it was in immediately before such damage or destruction and this Lease shall not terminate or be terminated as a result of such damage or destruction. If such damage or destruction is not material, Tenant shall restore the Leased Property at Tenant's expense.

14.4 TENANT'S PERSONAL PROPERTY. All insurance proceeds payable by reason of any loss of or damage to any of Tenant's Personal Property or Capital Additions financed by Tenant shall be paid to Landlord and Landlord shall hold such insurance proceeds in trust to pay the cost of repairing or replacing the damage to Tenant's Personal Property or the Capital Additions financed by Tenant.

14.5 RESTORATION OF TENANT'S PROPERTY. If Tenant is required or elects to restore the Facility as provided in Sections 14.2 or 14.3, Tenant also shall restore all alterations and improvements made by Tenant, Tenant's Personal Property and all Capital Additions paid for by Tenant.

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Tenant's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated during any period required for repair and restoration.

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 thirty (30) 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 Landlord shall be entitled to retain the insurance proceeds and Tenant shall pay to Landlord on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Landlord shall be void

and of no force and effect if Tenant exercises an available option to extend the Term for one Extended Term within thirty (30) days following receipt of such termination notice.

14.8 TERMINATION OF RIGHT TO PURCHASE AND SUBSTITUTION. Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Tenant under this Lease to be terminated and to be without further force and effect.

14.9 WAIVER. Tenant hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

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 Landlord 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, the Facility is thereby rendered Unsuitable for its Primary Intended Use, Tenant 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, so long as Tenant is not in default, or no event has occurred which with the giving of notice or the passage of time or both would constitute a default, under the terms of this Lease and the Secondary Leases, or (b) to offer to acquire Landlord's interest in the Leased Property from Landlord 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. Tenant shall exercise its option by giving

Landlord notice thereof within sixty (60) days after Tenant receives notice of the Taking. In the event Landlord does not accept Tenant's offer to so purchase within thirty (30) days after receipt of the notice described in the preceding sentence, Tenant may either (a) withdraw its offer to purchase and proceed to restore the Facility, to the extent possible, to substantially the same condition as existed immediately before the partial Taking or (b) terminate this Lease by written notice to Landlord.

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, Tenant shall accomplish all necessary restoration.

15.6 AWARD DISTRIBUTION. In the event Landlord accepts Tenant's offer to purchase the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Tenant provided no Event of Default is continuing and Landlord agrees to assign to Tenant all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Landlord, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Tenant 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 Tenant 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 Tenant under this Lease; and

(b) A sum attributable to Tenant's Personal Property and any reasonable removal and relocation costs included in the Award.

If Tenant is required or elects to restore the Facility, Landlord agrees that, subject to the rights of the Facility Mortgagees, 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.

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 six (6) months. During any such six (6) month 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.

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 hereunder:

(a) if Tenant shall fail to make a payment of Rent or any other monetary payment due and payable by Tenant under this Lease when the same becomes due and payable, or

(b) if Tenant shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Tenant within a period of thirty (30) days after receipt by Tenant of written notice thereof from Landlord (provided, however, in no event shall Landlord be required to give more than one (1) written notice per calendar year), 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 Tenant proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Tenant of Landlord's notice of default, or

(c) if Tenant 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 or any substantial part 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, or

(vi) admits in writing that Tenant cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Tenant's property is made for the benefit of creditors; or a receiver or trustee is appointed for Tenant or its property; or the interest of Tenant under this Lease is levied on under execution or other legal process; or any petition is filed by or against Tenant to declare Tenant bankrupt or to delay, reduce or modify Tenant's capital structure if Tenant be a corporation or other entity (provided that no such levy, execution, legal process

or petition filed against Tenant shall constitute a breach of this Lease if Tenant 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

(d) if any License is terminated or if Tenant or the Facility is excluded from participation in Medicare, Medicaid or other governmental payor programs by a final adjudication, or

(e) except as a result of damage, destruction or a partial or complete Condemnation, the abandonment or vacation of the Leased Property by Tenant (Tenant's absence from the Leased Property for thirty (30) consecutive days shall constitute abandonment), or the failure by Tenant to continuously operate the Facility in accordance with the terms of this Lease, or

(f) if Tenant 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 Tenant, as the case may be, a receiver of Tenant or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Tenant 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

(g) if Tenant 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 Tenant into, or a sale of substantially all of Tenant's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Tenant's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Landlord, accompanied by an opinion of counsel, reasonably satisfactory to Landlord and addressed to Landlord 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, Tenant or such other corporation (if not the Tenant) surviving the same, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Tenant immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Landlord within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(h) if the estate or interest of Tenant 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 Tenant of written notice thereof from Landlord (unless Tenant shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(i) if any of the representations or warranties made by Tenant 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 Landlord, or

(j) a default by Tenant as described in Section 16.2 below, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Landlord or any Affiliate of Landlord and Tenant or any Affiliate of Tenant, which is not cured within the cure period as provided therein, or

(l) if Tenant defaults under the Secondary Leases or fails or

refuses to enforce the terms and conditions of the Secondary Leases, which is not cured within the cure period as provided therein, or

(m) if Tenant causes or fails to prevent a payment default on any of its corporate debt or other leases or is declared to be in material default by any of its corporate lenders and such default is not cured within any applicable cure periods, or

(n) if a default occurs under any other leases between Tenant or its Affiliates and Landlord and its Affiliates and such default is not cured within any applicable cure periods.

16.2 COVENANTS AND EVENTS OF DEFAULT. In addition to those matters set forth in Section 16.1, the occurrence of any of the following events shall constitute an Event of Default:

(a) If, based on a quarterly test, Tenant's Consolidated Net Worth shall be less than the below stated amount in the applicable period:

Year	Consolidated Net Worth
2005	12,500,000
2006	11,000,000
2007	9,000,000
2008	9,000,000
2009	12,000,000
2010 and after	15,000,000

(b) If EBITDAR Total Fixed Charge Coverage shall be less than the amount calculated per applicable period as provided below:

	EBITDAR Testing Periods:	Calculation:
Year One:	- For Year One as Tested at the End of the 4th Quarter	0.5 times EBITDAR
Year Two:	- For Quarters 1, 2, and 3 (Tested Quarterly)	0.5 times EBITDAR
	- For Year Two as Tested at the End of the 4th Quarter	0.75 times EBITDAR
Year Three:	- For Quarters 1 and 2 (Tested Quarterly)	1.0 times EBITDAR
	- For Quarters 3 and 4 (Tested Quarterly)	1.2 times EBITDAR
Year Four: (and thereafter)	- Tested Quarterly	1.5 times EBITDAR

(c) If EBITDAR Lease Coverage shall be less than the amount calculated per applicable period as provided below:

	EBITDAR Testing Periods:	Calculation:
Year One:	- For Year One as Tested at the End of the 4th Quarter	0.6 times EBITDAR
Year Two:	- For Quarters 1, 2, and 3 (Tested Quarterly)	0.6 times EBITDAR
	- For Year Two as Tested at the End of the 4th Quarter	1.2 times EBITDAR

Year Three:	-	For Quarters 1 and 2 (Tested Quarterly)	1.5 times EBITDAR
	-	For Quarters 3 and 4 (Tested Quarterly)	1.8 times EBITDAR
Year Four: (and thereafter)	-	Tested Quarterly	2.0 times EBITDAR

(d) Tenant, on a consolidated basis, shall experience six (6) consecutive quarters of falling net revenue, and EBITDAR (based on trailing twelve (12) months) shall be less than 1.5 times Tenant's Rent payments; or

(e) Tenant shall be in payment default on any of its corporate debt or other leases or be declared to be in material default by any of its corporate lenders, unless such default is cured within any applicable cure periods.

16.3 REMEDIES. If an Event of Default shall have occurred, Landlord, except as expressly provided to the contrary herein, 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, in equity or by other provisions of this Lease, without notice or demand.

(a) Without any notice or demand whatsoever, Landlord may take any one or more of the actions permissible at law to insure performance by Tenant of Tenant's covenants and obligations under this Lease. In this regard, it is agreed that if Tenant deserts or vacates the Leased Property, Landlord may enter upon and take possession of the Leased Property in order to protect it from deterioration and continue to demand from Tenant the monthly rentals and other charges provided in this Lease, without any obligation to relet; but that if Landlord does, at its sole discretion, elect to relet the Leased Property, such action by Landlord shall not be deemed as an acceptance of Tenant's surrender of the Leased Property unless Landlord expressly notifies Tenant of such acceptance in writing pursuant to subsection (b) of this Section 16.3, Tenant hereby acknowledging that Landlord shall otherwise be reletting as Tenant's agent and Tenant furthermore hereby agreeing to pay to Landlord on demand any deficiency that may arise between the monthly rentals and other charges provided in this Lease and that are actually collected by Landlord. It is further agreed in this regard that in the event of any default described in Section 16.1, Landlord 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 Tenant is obligated to do under the terms of this Lease; and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action.

(b) Landlord may terminate this Lease by written notice to Tenant, in which event Tenant shall immediately surrender the Leased Property to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which Landlord may have for possession or arrearages in Rent (including any late charge which may have accrued pursuant to Section 3.4), enter upon and take possession of the Leased Property and expel or remove Tenant and any other person who may be occupying the Leased Property or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Tenant hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of any termination effected pursuant to this subsection (b), said loss and damage to be determined, at Landlord's option, by either of the following alternative measures of damages:

(i) Until Landlord is able, although Landlord shall be under no obligation to attempt, to relet the Leased Property, Tenant shall pay to Landlord on or before the first day of each calendar month, the Rent and other charges provided in this Lease. After the Leased Property has been relet by Landlord, Tenant shall pay to Landlord on the tenth (10th) day

of each calendar month the difference between the Rent and other charges provided in this Lease for the preceding calendar month and that actually collected by Landlord for such month. If it is necessary for Landlord to bring suit in order to collect any deficiency, Landlord 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 Landlord to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Landlord from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Tenant in reduction of Tenant's liability for any calendar month for which the amount collected by Landlord will be less than the monthly rentals and other charges provided in this Lease; but Tenant shall have no right to such excess other than the above-described credit.

(ii) When Landlord desires, Landlord may demand a final settlement. Upon demand for a final settlement, Landlord shall have a right to, and Tenant 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 Landlord elects to exercise the remedy prescribed in subsection (a) above, this election shall in no way prejudice Landlord's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection (b) above. Similarly, if Landlord elects to compute damages in the manner prescribed by subsection (b)(i) above, this election shall in no way prejudice Landlord'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 Landlord 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.

(c) Landlord may require Tenant to cancel the Management Agreement and to replace the Management Company with a company of Landlord's choosing.

(d) Landlord, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make any payment or perform any act required to be made or performed under this Lease by Tenant for the account and at the expense of Tenant, and, to the extent permitted by law, may enter upon the Leased Property for such purpose and take all such action thereon as, in Landlord's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord 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 Landlord, shall be paid by Tenant to Landlord on demand.

(e) In addition to other rights and remedies Landlord may have hereunder and at law and in equity, in the event Tenant defaults under this Lease, (i) Landlord shall have the right, but not the obligation or responsibility to hire all or some of the employees of Tenant, and Tenant hereby acknowledges that no non-compete or non-solicitation agreement is either implied or expressed hereunder relating to such employees; (ii) Tenant is deemed to have assigned to Landlord, at Landlord's sole option, all service agreements (including, without limitation, all medical

director agreements); (iii) Tenant is deemed to have assigned and transferred to Landlord, at Landlord's sole option, all supplies and inventory used or usable in the operation of the Leased Property; and (iv) Tenant is deemed, at Landlord's sole discretion, to have transferred and assigned to Landlord all Licenses and agreements, including, without limitation, all Medicare and Medicaid provider numbers, or is hereby deemed, at Landlord's sole discretion, to agree to transfer to the Landlord all of the Licenses, including, without limitation, all Medicare and Medicaid provider numbers.

16.4 ADDITIONAL EXPENSES. Tenant shall compensate Landlord for (i) all administrative expenses, (ii) all expenses incurred by Landlord 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 Landlord 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) Landlord's reasonable attorneys' fees and expenses, (vi) all losses incurred by Landlord as a direct or indirect result of Tenant's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Landlord's administrative efforts, salaries and overhead attributable directly or indirectly to Tenant's default and Landlord's pursuing the rights and remedies provided herein and under applicable law.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.3, Tenant 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 Tenant which are received by Landlord under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Tenant's obligations in the order which Landlord may reasonably determine or as may be prescribed by the laws of the State.

16.7 NOTICES BY LANDLORD. 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 Tenant of the nature and approximate extent of any default, it being agreed that Tenant is in good or better position than Landlord to ascertain the exact extent of any default by Tenant hereunder.

16.8 LANDLORD'S CONTRACTUAL SECURITY INTEREST. Tenant hereby grants to Landlord an express first and prior contract lien and security interest, in Tenant's interest in all property which may be placed on the Leased Property (including fixtures, equipment, chattels and merchandise), and also upon all proceeds of any insurance which may accrue to Tenant by reason of destruction of or damage to any such property and also upon all of Tenant's interest as Tenant and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Tenant 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 Landlord's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Landlord shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Tenant 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 Tenant's business, such property shall not be removed without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord or to become due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an Event of Default Landlord, in addition to any other remedies provided herein, may enter upon the Leased Property and take possession of any and all inventory,

merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant 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 Tenant 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 Landlord 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 Tenant 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 provision of this Section 16.8 shall be deemed to have been a public sale conducted in 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 Tenant or as otherwise required by law; Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the State, as well as any other state the laws of which Landlord may at any time consider to be applicable.

16.9 REMEDIES CUMULATIVE. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Landlord or Tenant 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 Landlord or Tenant of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Landlord or Tenant of any or all of such other rights, powers and remedies.

ARTICLE XVII

PURCHASE OF THE LEASED PROPERTY

17.1 TENANT'S OPTION TO PURCHASE. So long as no Event of Default has occurred and is continuing under the terms of this Lease and the Secondary Leases, at the expiration of this Lease, Tenant shall have the option, to be exercised by written notice to Landlord at least sixty (60) days prior to the expiration of this Lease, to purchase Landlord's interest in the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) purchase price paid by Landlord to Tenant pursuant to the Purchase Agreement, plus Landlord's interest in any Capital Additions funded by the Landlord, as increased by an amount equal to the greater of (A) two and one-half percent (2.5%) per annum from the date hereof, 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 17.1, in the event Tenant exercises such option to purchase Landlord's interest in the Leased Property, (i) the terms set forth in Section 17.2 shall apply, and (ii) the sale/purchase must be closed within ninety (90) days after the date of the written notice from Tenant to Landlord of Tenant's intent to purchase. If Tenant does not exercise Tenant's option to purchase as specified herein, Landlord shall be free after the expiration of said sixty (60) day period to sell Landlord's interest in the Leased Property to any party on any terms as it deems acceptable in its sole discretion.

17.2 CONVEYANCE TERMS. In the event Tenant purchases Landlord's interest in the Leased Property from Landlord pursuant to Section 17.1, Landlord, upon

receipt from Tenant 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, shall deliver to Tenant an appropriate special warranty deed, bill of sale, assignment or other similar instrument of conveyance conveying the entire interest of Landlord in and to the Leased Property to Tenant in the condition as received from Tenant, free and clear of all encumbrances other than (a) those that Tenant has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Tenant 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 XXVIII which are assumable at no cost to Tenant or to which Tenant may take subject without cost to Tenant, 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 Landlord, or as Landlord may direct, in federal or other immediately available funds except as otherwise mutually agreed by Landlord and Tenant. The closing of any such sale shall be contingent upon and subject to Tenant obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Tenant to obtain all such approvals and consents, any options to extend the Term which otherwise would have expired during the period from the date when Tenant elected or became obligated to purchase the Leased Property until Tenant'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 Landlord in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Tenant.

17.3 LANDLORD'S OPTION TO PURCHASE TENANT'S PERSONAL PROPERTY. Effective on not less than ninety (90) days' prior written notice given at any time within one hundred eighty (180) days prior to the expiration of the Term, but not later than ninety (90) days prior to such expiration, or such shorter notice as shall be appropriate if this Lease is terminated prior to the expiration date for a reason other than a default by Landlord, Landlord shall have the option to purchase all (but not less than all) of Tenant's Personal Property, if any, at the expiration or termination of this Lease, for an amount equal to the net sound insurable value thereof (current replacement cost less accumulated depreciation on the books of Tenant pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Tenant's Personal Property is subject; provided Landlord's option to purchase Tenant's personal property shall not be exercised during any period in which Tenant has the right, pursuant to this Lease, to operate the Facility.

17.4 SURVIVAL. Tenant's purchase rights under this Article XVII shall survive the sale or conveyance of Landlord's interest in the Leased Property and shall run with this Lease in favor of Tenant's successors and assigns.

ARTICLE XVIII

HOLDING OVER

18.1 HOLDING OVER. If Tenant shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term, such possession shall be as a tenancy at will during which time Tenant shall pay as rental each month, one and one-quarter times the aggregate of (a) one-twelfth of the aggregate Base 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 Tenant pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Tenant 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 Landlord to the holding over of Tenant after the expiration or earlier termination of this Lease.

ARTICLE XIX

RISK OF LOSS

19.1 RISK OF LOSS. During the Term, 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 Landlord and those claiming from, through or under Landlord) is assumed by Tenant and, Landlord shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Article XIX entitle Tenant to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XX

INDEMNIFICATION

20.1 INDEMNIFICATION. NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE, TENANT WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LANDLORD 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 LANDLORD BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF PERSONAL 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 TENANT OF THE LEASED PROPERTY, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF TENANT TO PAY PURSUANT TO APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF TENANT 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 (TENANT) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY TENANT UNDER THIS SECTION SHALL BE PAID WITHIN THIRTY (30) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LANDLORD 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. TENANT, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LANDLORD OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS TENANT AND LANDLORD SEE FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LANDLORD AGAINST ITS OWN NEGLIGENCE OR OMISSIONS OR WILLFUL MISCONDUCT. TENANT'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION AND THE EXPIRATION OF THIS LEASE.

ARTICLE XXI

SUBLETTING; ASSIGNMENT AND SUBORDINATION

21.1 SUBLETTING; ASSIGNMENT AND SUBORDINATION. Tenant shall not assign the Lease or sublease the Leased Property or engage any Management Company or allow any Lessees to engage any Management Company without Landlord's prior written consent. Tenant, if required by Landlord, shall assign all of Tenant's rights under the Management Agreement to Landlord. All Management Agreements entered into in connection with the Leased Property or any portion thereof shall expressly contain provisions acceptable to Landlord which (i) require an assignment of the Management Agreement to Landlord upon request by Landlord, (ii) confirm and warrant that all sums in excess of One Million Dollars ($1,000,000.00) per year which are due and payable under the Management Agreement are subordinate to this Lease, (iii) grant Landlord the right to terminate the Management Agreement (individually or collectively, if more than one (1) upon a default hereunder or upon a default under such applicable Management Agreement, (iv) require the Management Company to execute and deliver to Landlord within ten (10) days from Landlord's request an assignment and/or subordination agreement as required by Landlord and/or Landlord's lender providing financing to Landlord, in such form and content as is acceptable to Landlord and/or its lender. Tenant agrees to execute and deliver (and/or require the tenants to execute and deliver, if applicable) an assignment and/or subordination agreement relating to the Management Agreement entered into in connection to the Leased Property, which assignment and/or subordination agreement shall be in such form and content as reasonably acceptable to the Landlord and/or any lender providing financing to Landlord, and shall be delivered to Landlord within ten (10) days from Landlord's request. Any sublease

approved by Landlord shall be subordinate to this Lease and may be terminated or left in place by Landlord in the event of a termination of this Lease. Landlord shall not unreasonably withhold its consent to any other or further subletting or assignment; provided that (a) in the case of a subletting, the sublessee shall comply with the provisions of this Article XXI, (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 Tenant to be kept and performed and shall be and become jointly and severally liable with Tenant for the performance thereof and the assignee has credit and operating characteristics equal or greater than that of Tenant, (c) an original counterpart of each such

sublease and assignment and assumption, duly executed by Tenant and such sublessee or assignee, as the case may be, in form and substance satisfactory to Landlord, shall be delivered promptly to Landlord, and (d) in case of either an assignment or subletting, Tenant 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 covenants and conditions to be performed by Tenant hereunder. Notwithstanding anything contained herein to the contrary, Landlord and Tenant agree that all subleases, including, without limitation, all physician subleases (whether individually or physician groups) must provide (i) for a minimum lease term of sixty (60) months from the date that such sublessee or physician opens to the public for business; (ii) must be in compliance with all Legal Requirements and Healthcare Laws, including, without limitation, all Stark and Anti-Kickback rules and regulations and Landlord shall have the right, in its reasonable discretion, to review and approve/disapprove such compliance before consenting thereto; (iii) each sublessee and physician must sign a personal guaranty guaranteeing the full payment and performance under the sublease; (iv) must not violate the use restrictions as set forth in Section 7.2, and (v) must contain an express prohibition against leasehold financing by Tenant, sublessee and assignee. If conditions (i) through (iv) are not met, then Landlord's disapproval of any subleases not containing such terms and conditions shall be deemed reasonable.

21.2 ATTORNMENT. Tenant shall insert in each sublease permitted under Section 21.1 provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease and to the rights of Landlord hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Landlord's option, attorn to Landlord and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, (c) that sublessee shall from time to time upon request of Tenant or Landlord furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Landlord or Landlord's assignees, if any, stating that Tenant is in default under this Lease, the sublessee 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 Landlord or Landlord's assignees, if any, as the case may be, shall be credited against the amounts owing by Tenant under this Lease.

21.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Tenant shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 (b) any other formula such that any portion of the sublease rental received by Landlord 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, Tenant shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term without the express consent of Landlord. In addition, all subleases shall comply with the Healthcare Laws. Landlord and Tenant acknowledge and agree that any subleases entered into relating to the Leased Property, whether or not approved by Landlord, shall not, without the prior written consent of Landlord, be deemed to be a direct lease between Landlord and any sublessee.

21.4 SUBORDINATION. Any sublease approved by Landlord shall be subordinate to this Lease and may be terminated or left in place by Landlord in the event of a termination of this Lease. Tenant hereby agrees that all payments and fees payable under the Management Agreements are subordinate to the payment of the

obligations under this Lease and all other documents executed in connection with the Purchase Agreement. Tenant agrees to execute and cause the Management Company to execute (and cause the tenants to execute, if applicable) a subordination agreement relating to the Management Agreements (and the Secondary Leases), which subordination agreement shall be in such form and content as is acceptable to Landlord.

ARTICLE XXII

OFFICER'S CERTIFICATES; FINANCIAL STATEMENTS; NOTICES AND OTHER CERTIFICATES

22.1 ESTOPPEL CERTIFICATE. From time to time, each party hereto, on or before the date specified in a request therefor made by the other party, which date shall not be earlier than ten (10) days from the making of such request, but not more than three (3) times per calendar year, shall execute, acknowledge and deliver to the other party a certificate evidencing whether or not (i) this Lease is in full force and effect; (ii) this Lease has been amended in any way; and (iii) there are any existing defaults on the part of either party hereunder, to the knowledge of such other party, and specifying the nature of such defaults, if any; (iv) stating the date to which rent and other amounts due hereunder, if any, have been paid; and (v) such other matters as may reasonably be requested by such party. Each certificate delivered pursuant to this Section 23.1 may be relied on by any prospective transferee of Landlord's or Tenant's interest hereunder and any lender of Landlord or Tenant.

22.2 FINANCIAL STATEMENTS. During the Term, Tenant will furnish the following statements to Landlord, which must be in such form and detail as Landlord, from time to time, may reasonably request:

(a) within ninety (90) days after the end of Tenant's fiscal year, a copy of the Income Statements 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, Tenant 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 Tenant shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(b) within ninety (90) days after the end of Tenant's fiscal year, audited financial statements of Tenant and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Landlord, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with GAAP, and

(c) within forty-five (45) days after the end of each quarter, current financial statements of Tenant 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 Tenant, and

(d) 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 Tenant, and

(e) within ten (10) days subsequent to receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that the license and/or 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

(f) with reasonable promptness, such other information respecting the financial condition and affairs of Tenant as Landlord may reasonably request from time to time.

Landlord reserves the right to require such other financial information from Tenant at such other times as Landlord shall deem reasonably necessary.

22.3 NOTICES REGARDING LICENSES. Within ten (10) days of receipt, Tenant shall furnish to Landlord copies of any and all notices (regardless of form) from any and all licensing or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of the Facility, is being downgraded, revoked or suspended, or that action is pending or being considered to downgrade, revoke or suspend such Facility's license or certification.

ARTICLE XXIII

INSPECTIONS AND FEES

23.1 INSPECTION FEE. Tenant shall permit Landlord and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Tenant, any governmental agency, any Insurance Requirements relating to the Leased Property or imposed by law or applicable regulations. On the Commencement Date and thereafter on January 1st of each year during the Term, Tenant shall pay to Landlord an inspection fee to cover the cost of the physical inspection of the Leased Property. The amount payable for the inspection fee on the Commencement Date is Seven Thousand Five Hundred and 00/100 Dollars ($7,500.00) and the amount of such inspection fee shall be increased by an amount equal to two and one-half percent (2.5%) per annum on each January 1st.

ARTICLE XXIV

TRANSFERS BY LANDLORD

24.1 TRANSFER BY LANDLORD. Tenant understands that Landlord may sell its interest in the Leased Property in whole or in part. Tenant agrees that any purchaser of Landlord's interest in the Leased Property may exercise any and all rights of Landlord, as fully as if such purchaser was the original landlord hereunder; provided, however, such purchaser shall be subject to the same restrictions imposed upon Landlord hereunder. Landlord may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Tenant. If Landlord or any successor owner of Landlord's interest in the Leased Property shall convey such interest in the Leased Property, other than as security for a debt, and the purchaser of such interest in the Leased Property shall expressly assume all obligations of Landlord hereunder arising or accruing from and after the date of such conveyance or transfer, Landlord or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Landlord under this Lease arising or accruing from and after the date of such conveyance or other transfer as to Landlord's interest in the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXV

QUIET ENJOYMENT

25.1 QUIET ENJOYMENT. So long as Tenant 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, Tenant shall peaceably and quietly have, hold and enjoy the Leased Property for the Term, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Tenant. No failure by Landlord to comply with the foregoing covenant shall give Tenant 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 Tenant hereunder. Notwithstanding the foregoing, Tenant shall have the right by separate and independent action to pursue any claim it may have against Landlord as a result of a breach by Landlord of the covenant of quiet enjoyment contained in this Article XXV.

ARTICLE XXVI

NOTICES

26.1 NOTICES. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Lease shall be

in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Tenant:

North Cypress Medical Center Operating Company, Ltd.
6830 North Eldridge Parkway, Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D.
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to:

Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attention: Frank T. Sossi, Esq.
Phone: (330) 253-5060
Fax: (330) 253-1977

Zimmerman, Axelrad, Meyer, Stern & Wise P.C.
3040 Post Oak Boulevard
Suite 1300
Houston, Texas 77056-6560
Attention: Leonard Meyer, Esq.
Phone: (713) 552-1234
Fax: (713) 963-0859

Vinson & Elkins
First City Tower, Suite 2300
1001 Fannin Street
Houston, Texas 77002-6760
Attention: Dennis C. Dunn, Esq.
Phone: (713) 758-3478
Fax: (713) 615-5047

(b) if to Landlord:

MPT of North Cypress, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq., Executive Vice President & General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to:

Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the

right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

ARTICLE XXVII

APPRAISAL

27.1 APPRAISAL. In the event that it becomes necessary to determine the Fair Market Value of the Leased Property, Fair Market Value Purchase Price or Fair Market Added Value 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. Landlord and Tenant agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease and shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to Tenant's operations. Within ten (10) days after receipt of any such notice, Landlord (or Tenant, as the case may be) shall by notice to Tenant (or Landlord, 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 of the Leased Property, Fair Market Value Purchase Price or Fair Market Added Value 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 Tenant's or Landlord'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 of the Leased Property, 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 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 of the Leased Property, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Landlord or Tenant 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 of the Leased Property, 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 Landlord and Tenant as the Fair Market Value of the Leased Property, 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. Landlord and Tenant 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 XXVIII

FINANCING OF THE LEASED PROPERTY

28.1 FINANCING BY LANDLORD. Landlord agrees that, if it grants or creates

any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon Landlord's interest in the Leased Property or any portion thereof, Landlord will use reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Tenant the same notice, if any, given to Landlord of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Tenant, after twenty (20) days prior written notice, to cure any such default on Landlord's behalf within any applicable cure period, in which event Landlord agrees to reimburse Tenant for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Tenant to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Tenant is requested by the holder of each such Encumbrance, to enter into an agreement with Tenant containing the provisions described in Article XXIX and (e) Landlord further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Tenant'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 XXIX hereof.

ARTICLE XXIX

SUBORDINATION AND NON-DISTURBANCE

29.1 SUBORDINATION, NON-DISTURBANCE. At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Landlord upon Landlord's interest in the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within ten (10) days from the date of request, Tenant shall execute and deliver, and shall have all subtenants or sublessees of the Leased Property execute and deliver within such ten (10) day period, to such holders a written agreement in a form reasonably acceptable to such holder whereby Tenant and such subtenants and sublessees subordinate this Lease and all of their rights and estate hereunder to each such mortgage or deed of trust that encumbers Landlord's interest in the Leased Property or any part thereof and agree with each such holder that Tenant and all such subtenants and sublessees will attorn to and recognize such holder 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 Landlord 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 holder simultaneously executes and delivers a written agreement (a) 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, Tenant and such subtenants and sublessees shall not be disturbed in peaceful enjoyment of the Leased Property or the subleased property (as applicable) nor shall this Lease (nor the applicable subleases) be terminated or canceled at any time, except in the event Tenant or such applicable subtenant or sublessee is in default under this Lease or the applicable subleases; (b) agreeing that for any period while it is Landlord hereunder, it will perform, fulfill and observe all of Landlord's representations, warranties and agreements set forth herein; and (c) agreeing, unless otherwise expressly provided in the mortgage or deed of trust, that all proceeds of the casualty insurance described in Article XIV of this Lease and all Awards described in Article XV will be made available for restoration of the Leased Property as and to the extent required by this Lease, subject only to reasonable regulation regarding the disbursement and application thereof.

ARTICLE XXX

LICENSES

30.1 MAINTAINING LICENSES. Tenant shall maintain at all times during the Term 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 necessary for 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.

30.2 TRANSFERS. Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's 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 Tenant have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Landlord as contemplated herein), whether before, during or after the Term. Following the termination of this Lease, Tenant shall retain no rights whatsoever

to the Licenses, and Tenant will not move or attempt to move the Licenses to any other location. To the extent that Tenant has or will extend any right, title, or claim of right whatsoever in and to the Licenses or the right to operate the Facility, all such right, title, or claim of right shall automatically revert to the Landlord or to Landlord's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any Event of Default (which Event of Default is not cured within any applicable grace period and which results in Landlord terminating this Lease), Landlord shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Landlord's name or in the name of Landlord's designee upon application therefor to the issuing authority, and to further have the right to have any and all provider and/or third party payor agreements as a provider in the Medicare and/or Medicaid and other federal healthcare programs issued in Landlord's name or in the name of Landlord's designee.

30.3 COOPERATION. Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Tenant shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Landlord or any new Tenant or operator selected by Landlord, it being understood and agreed that such cooperation shall include, without limitation, (a) Tenant's assignment, if and to the extent allowed by law, to Landlord or Landlord's new Tenant or operator of any and all Licenses, (b) Tenant's use of best efforts to maintain, to the maximum extent allowed by applicable law, the effectiveness of any and all such Licenses until such time as any new Licenses necessary for any new lessee or operator to operate the Facility have been issued, and (c) the taking of such other actions as are required by applicable law or as are reasonably requested by Landlord. Upon any termination of this Lease or Event of Default (which Event of Default is not cured within any applicable grace period and which results in Landlord terminating this Lease), Landlord shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Landlord's name or in the name of Landlord's designee upon application therefor to the appropriate authority, if required, and to further have the right to have any and all Medicare and Medicaid and any other provider and/or third party payor agreements issued in Landlord's name or in the name of Landlord's designee. The provisions of this Article XXX are in addition to the other provisions of this Lease.

30.4 NO ENCUMBRANCE. It is an integral condition of this Lease that Tenant covenants and agrees 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.

30.5 NOTICES. Tenant shall immediately (within two (2) Business Days) notify Landlord 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 Tenant to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Tenant shall immediately (within two (2) Business Days) upon Tenant's receipt, furnish Landlord with a copy of any and all such notices and Landlord shall have the right, but not the obligation, to attend and/or participate, in Landlord's sole and absolute discretion, in any such actions or proceedings. Tenant 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. Tenant 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 Landlord, which consent shall not be unreasonably withheld or delayed. Tenant agrees to sign, acknowledge, provide and deliver to Landlord (and if Tenant fails to do so upon request of Landlord, Tenant hereby irrevocably appoints Landlord, as agent of Tenant for such express purposes) any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all hospital licenses required for the Primary Intended Use, DHS provider agreements, and/or state or federal Title XVIII and/or Title XIX provider agreements to be obtained (either in total or individually) in the name of Landlord or the name of Landlord's designee in the event that Landlord reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Tenant) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Tenant (beyond any applicable grace or cure period) and the issuing government agency has threatened or asserted that such license or provider agreement will terminate or has lapsed or that Tenant's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Landlord in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XXXI

COMPLIANCE WITH HEALTHCARE LAWS

31.1 COMPLIANCE. Tenant hereby covenants, warrants and represents to Landlord that as of the Commencement Date and throughout the Term: (i) Tenant shall be, and shall continue to be validly licensed, Medicare and Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, TDH and the Centers for Medicare and Medicaid Services; and/or (ii) Tenant shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare and Medicaid issued by the Centers for Medicare and Medicaid Services and TDH 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 Medicaid certified general acute care hospital facility; (iii) Tenant shall be, and shall continue to be in compliance with and shall remain in compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, compliance under HIPAA; (iv) Tenant shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Tenant 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 XXXII

SALE PROCEED DISTRIBUTION/SYNDICATION

32.1 SALES PROCEED DISTRIBUTION. If during the Term, Landlord shall sell Landlord's interest in the Leased Property, the net sales proceeds from such sale shall be distributed as follows:

(a) to Landlord in amount equal to the purchase price paid by Landlord to Tenant pursuant to the Purchase Agreement plus an amount which will provide Landlord with an internal rate of return of fifteen percent (15%);

(b) the balance of the net sales proceeds shall be divided equally between Landlord and Tenant.

32.2 SYNDICATION. Subject to the Healthcare Laws, Landlord will offer Tenant and any physicians which own an interest in Tenant the opportunity to purchase up to any aggregate forty-nine percent (49%) of the member interest in Landlord. Such offer shall be made by Landlord to Tenant and its physicians owners within fifteen (15) days subsequent to receipt by Landlord of written notice from Tenant requesting such offer be made (the "Offer Request Notice"), which notice shall include the names and addresses of all parties eligible to receive the offer. Tenant shall have the right to submit the Offer Request Notice only during the period which is not less than six (6) months and no more than nine (9) months subsequent to the Commencement Date (the "Offer Notice Period"). In the event Tenant fails to deliver to Landlord the Offer Request Notice during the Offer Notice Period, then neither Tenant nor its physician owners shall have any further right to acquire any member interest in Landlord. If the Offer Request Notice shall be timely given, then Landlord, within thirty (30) days subsequent to receipt of the Offer Request Notice, shall deliver to the parties identified in the Offer Request Notice an offer (the "Purchase Offer") allowing such parties to purchase from Landlord, at a price determined on the basis of the historical cost of the assets owned by Landlord (which price shall be set forth in the Purchase Offer), up to an aggregate of forty-nine percent (49%) of the member interest in Landlord. Tenant and its physician owners will invest on an equal basis (based on the historical costs of Landlord's assets) with the members of Landlord. In the event Tenant or any one or more of its physician owners shall wish to accept the Purchase Offer, Tenant, within fifteen (15) days subsequent to the date of the Purchase Offer, shall provide written notice to Landlord of the acceptance of the Purchase Offer (the "Acceptance Notice"), which notice shall set forth the parties which accept the Purchase Offer and the percentage of member interest to be acquired by each party (up to an aggregate of forty-nine percent (49%) of the member interest in Landlord). Thereafter, the conveyance of the member interest shall occur on the fifteenth (15th) day subsequent to Landlord's receipt of the Acceptance Notice and on such date the parties which accepted the Purchase Offer shall pay the purchase price for such party's member interest and Landlord shall convey such interest to such party. Landlord shall have no obligation to convey any member interest to any party which is not listed in the Acceptance Notice and Tenant hereby indemnifies and holds harmless Landlord with respect to any claims, causes of action, damages, costs, fees, expenses or other liabilities which Landlord may or does incur as a result of any threatened or actual claims by parties not listed in the Acceptance Notice.

In the event the Acceptance Notice is not timely delivered to Landlord, Landlord shall have no further obligation to convey any member interest to Tenant and its physician owners.

ARTICLE XXXIII

MISCELLANEOUS

33.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Tenant or Landlord 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 and a like but valid and enforceable provision shall replace the invalid or unenforceable provision. 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 Landlord and Tenant. 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.

33.2 GOVERNING LAW. This Lease shall be governed by and construed in accordance with the laws of the State without regard to principles of conflicts of law.

33.3 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, and except as prohibited by law, Tenant shall transfer to Landlord or

Landlord's nominee, without additional consideration to Tenant, the Licenses, and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Tenant hereby grants to Landlord a landlord's lien on the License and all contracts, including contracts with governmental or quasi-governmental entities, which may be necessary or useful in the operation of the Facility. For purposes of effecting the transfers herein described and all assignments and transfers described in Article XVI, Tenant hereby nominates and irrevocably designates and appoints Landlord its true and lawful agent and attorney-in-fact, either in the name of Landlord or in the name of Tenant to do all acts and things and execute all documents which Landlord may deem necessary or advisable to effect the transfers and assignments set forth in this Section 33.3 and Article XVI, including without limitation preparing, signing and filing any and all agreements, documents and applications necessary to effect such transfers or assignments.

33.4 LANDLORD'S EXPENSES. In addition to other provisions herein, Tenant agrees and shall pay and reimburse Landlord's costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Tenant for approval or consent under this Lease, (b) requests by Landlord for approval or consent under this Lease, (c) any circumstances or developments which give rise to Landlord's right of consent or approval, (d) circumstances resulting from any action or inaction by Tenant 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 Tenant 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 thirty (30) days.

33.5 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 Landlord and Tenant.

33.6 FUTURE FINANCING. Tenant hereby agrees that if at any time during the Term Tenant purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Tenant shall notify Landlord in writing of such purchase or contemplated purchase, and Landlord shall have the first opportunity to provide financing for such purchase upon terms mutually agreeable to Landlord and Tenant. Such financing will be contingent upon, among other things, performance benchmarks acceptable to Landlord and Landlord's satisfaction and approval of other due diligence requirements.

33.7 CASH INJECTION. As of the Commencement Date, Tenant shall have received from its equity owners at least Fifteen Million and No/100 Dollars ($15,000,000.00) in cash equity. So long as Tenant shall maintain the Consolidated Net Worth required under this Lease, such cash equity may be used for acquisition, pre-opening and operating expenses of the Facility and shall not be distributed to its equity owners. Upon request from Landlord from time to time, Tenant shall provide to Landlord evidence that such cash equity is in place and has not been distributed to Tenant's equity owners. During the Term, Tenant shall maintain Consolidated Net Worth in those amounts required under by Section 16.2(a) above.

33.8 ADDITIONAL LETTER OF CREDIT. In the event Tenant obtains a letter of credit or other form of credit enhancement from a sublessee, subtenant, operating company, management company, or any other individual or entity relating to the Facility, (the "Additional Letter of Credit"), such Additional Letter of Credit shall name Landlord as a beneficiary thereunder and shall be in a form acceptable to Landlord. Tenant hereby grants to Landlord a security interest in the Additional Letter of Credit. Tenant, within ten (10) subsequent to receipt of request therefore from Landlord, shall execute, and cause any applicable sublessee, subtenant, operating company, management company, or any other individual or entity to execute and deliver, all documents (including, without limitation, all bank/lender required documents) necessary for Landlord to perfect its security interest in the Additional Letter of Credit.

33.9 CHANGE IN OWNERSHIP/CONTROL. If at any time during the Term, there shall be a change in the ownership of the limited partnership interests in Tenant as it exists on the date of this Lease such that twenty percent (20%) or more of the limited partnership interest shall be transferred by the owners thereof, then in such event, Landlord shall have the following rights: (i) the right to demand and require Tenant to purchase the Leased Property (the "Put Option"); (ii) the right to terminate this Lease; and (iii) the right to exercise any and all remedies set forth in this Lease or allowed at law or in equity. Landlord may exercise its rights under this Section

33.9 by written notice to Tenant. If Landlord shall exercise the Put Option, the purchase price for the Leased Property and the conveyance terms with respect to such conveyance shall be the same as the purchase price and conveyance terms set forth in Article XVII.

33.10 LANDLORD SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Tenant agrees to cooperate with Landlord and its Affiliates in connection with any securities offerings and filings and in connection therewith, Tenant shall furnish Landlord with such financial and other information as Landlord shall request and Landlord and its Affiliates shall have the right of access, at reasonable business hours and upon advance notice, to the Facility and all documentation and information relating to the Facility and have the right to disclose any information regarding this Lease, the Tenant, the Leased Property, the Facility and such other additional information or documents which Landlord and/or its Affiliates may reasonably deem necessary.

33.11 NON-RECOURSE AS TO LANDLORD. Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Landlord under this Lease shall be enforced only against Landlord's interest in the Leased Property and not against any other assets, properties or funds of (i) Landlord, (ii) any director, officer, general partner, member, shareholder, limited partner, beneficiary, employee or agent of Landlord or any general partner or manager of Landlord or any of its general partners or members (or any legal representative, heir, estate, successor or assign of any thereof), (iii) any predecessor or successor partnership or corporation (or other entity) of Landlord or any of its general partners, members, shareholders, officers, directors, employees or agents, either directly or through Landlord or its general partners, members, 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.

33.12 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.

33.13 NO WAIVER. No failure by Landlord or Tenant 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.

33.14 SURRENDER. No surrender to Landlord 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 Landlord and no act by Landlord or any representative or agent of Landlord, other than such a written acceptance by Landlord, shall constitute an acceptance of any such surrender.

33.15 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 XXXIV

MEMORANDUM OF LEASE

34.1 MEMORANDUM. Landlord and Tenant, promptly upon the request of either, shall 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, Landlord and Tenant have caused this Lease to be executed by their incumbent and duly authorized representatives as of the date set forth below.

LANDLORD:

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

Date: June 13, 2005 By: /s/ Edward K. Aldag, Jr.

Print Name: Edward K. Aldag, Jr.

Title: President & CEO

TENANT:

NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD., a Texas limited partnership

By: North Cypress Medical Center Operating Company GP, LLC, a Texas limited liability company, its general partner

Date: June 8, 2005 By: /s/ Robert A. Behar, M.D.
Name: Robert A. Behar, M.D.
Title: Chairman of the Board

EXHIBIT A

PROPERTY DESCRIPTION

METES AND BOUNDS DESCRIPTION
PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT
12.985 NET ACRES
Revised June 7, 2005

All that certain 13.958 acre (608,019 square foot) tract of land situated in the W. H. Gentry Survey, Abstract Number 295 and in the William Jones Survey, Abstract Number 489, both in Harris County, Texas, being out of and a part of a called 13.5055 acre tract of land as described by deed recorded under Harris County Clerk's File Number Y175041 and a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod with plastic cap stamped "BENCHMARK ENGR" set in the northerly right-of-way line of U.S. Highway 290

(right-of-way width, varies) at the most southerly corner of the residue of a tract of land as described in a conveyance to Frank Robert Kukral, Supreme Lodge of Slavonic Benevolent Order of the State of Texas tract by deed recorded in Volume 3703, Page 68 of the Harris County Deed Records for the most westerly corner of said 13.5055 acre tract, from which a 5/8-inch iron rod found bears South 09 degrees 30' 17" East, a distance of 1.56 feet;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 13.5055 acre tract, a distance of 381.03 feet to the POINT OF BEGINNING and being the most westerly corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, continuing along the northwesterly line of said 13.5055 acre tract, a distance of 418.26 feet to an exterior corner of the herein described tract;

THENCE, South 54 degrees 00' 08" East, a distance of 474.00 feet to the beginning of a curve to the left;

THENCE, southeasterly, a distance of 140.10 feet along the arc of said curve to the left having a radius of 336.00 feet through a central angle of 23 degrees 53' 23" and a chord that bears South 64 degrees 35' 08" East, a distance of 139.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 30.07 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 10 degrees 19' 55" and a chord that bears South 71 degrees 21' 52" East, a distance of 30.03 feet to the point of reverse curvature of a curve to the left;

THENCE, northeasterly, a distance of 37.36 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 76 degrees 27' 08" and a chord that bears North 75 degrees 34' 31" East, a distance of 34.65 feet to the point of tangency of said curve;

THENCE, North 37 degrees 20' 57" East, a distance of 40.04 feet to an interior corner of the herein described tract;

THENCE, North 52 degrees 38' 34" West, a distance of 9.81 feet to a 5/8-inch iron rod found in the northwesterly line of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract for an exterior corner of the herein described tract;

THENCE, North 37 degrees 21' 26" East, along the northwesterly line of said 19.855 acre tract, a distance of 223.69 feet to a 5/8-inch iron rod found for an angle point of said 10.00 acre tract, said 19.855 acre tract and the herein described tract;

THENCE, North 87 degrees 37' 41" East, along the north line of said 19.855 acre tract, a distance of 413.32 feet to a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast corner of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 for the northeast corner of said 19.855 acre tract and the herein described tract;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to an exterior corner of the herein described tract;

THENCE, South 86 degrees 39' 10" West, a distance of 250.74 feet to the beginning of a curve to the left;

THENCE, northwesterly, a distance of 23.43 feet along the arc of said curve to the left having a radius of 15.00 feet through a central angle of 89 degrees 28' 55" and a chord that bears North 47 degrees 26' 05" West, a distance of 21.12 feet to the point of tangency of said curve;

THENCE, South 87 degrees 49' 25" West, a distance of 71.75 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 119.81 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 50 degrees 28' 28" and a chord that bears South 62 degrees 35' 11" West, a distance of 115.97 feet to the point of tangency of said curve;

THENCE, South 37 degrees 20' 57" West, a distance of 171.52 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 38.43 feet along the arc of said curve to the left having a radius of 28.00 feet through a central angle of 78 degrees 38' 20" and a chord that bears South 01 degrees 58' 13" East, a distance of 35.48 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 48.88 feet along the arc of said curve to the right having a radius of 166.78 feet through a central angle of 16 degrees 47' 36" and a chord that bears South 32 degrees 53' 36" East, a distance of 48.71 feet to the point of reverse curvature of a curve to the left;

THENCE, southeasterly, a distance of 70.04 feet along the arc of said curve to the left having a radius of 136.00 feet through a central angle of 29 degrees 30' 24" and a chord that bears South 39 degrees 15' 00" East, a distance of 69.27 feet to the point of tangency of said curve;

THENCE, South 54 degrees 00' 12" East, a distance of 13.04 feet to the point of curvature of a curve to the left;

THENCE, southeasterly, a distance of 28.21 along the arc of said curve to the left having a-radius of 86.00 feet through a central angle of 18 degrees 47' 38" and a chord that bears South 63 degrees 24' 01" East, a distance of 28.08 feet to the point of reverse curvature of a curve to the right;

THENCE, southeasterly, a distance of 103.49 feet along the arc of said curve to the right having a radius of 54.50 feet through a central angle of 108 degrees 47' 38" and a chord that bears South 18 degrees 24' 01" East, a distance of 88.62 feet to the point of tangency of said curve;

THENCE, South 35 degrees 59' 48" West, a distance of 119.12 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 77.35 feet along the arc of said curve to the left having a radius of 112.00 feet through a central angle of 39 degrees 34' 10" and a chord that bears South 16 degrees 12' 43" West, a distance of 75.82 feet to the point of reverse curvature of a curve to the right;

THENCE, southwesterly, a distance of 85.39 along the arc of said curve to the right having a radius of 48.00 feet through a central angle of 101 degrees 55' 41" and a chord that bears South 47 degrees 23' 29" West, a distance of 74.57 feet to the point of reverse curvature of a curve to the left;

THENCE, southwesterly, a distance of 21.93 along the arc of said curve to the left having a radius of 20.00 feet through a central angle of 62 degrees 49' 24" and a chord that bears South 66 degrees 56' 37" West, a distance of 20.85 feet to the point of tangency of said curve;

THENCE, South 35 degrees 31' 55" West, a distance of 81.68 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 12.07 along the arc of said curve to the left having a radius of 18.00 feet through a central angle of 38 degrees 25' 39" and a chord that bears South 16 degrees 19' 05" West, a distance of 11.85 feet to the end of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 13.90 feet to an exterior corner of the herein described tract;

THENCE, North 75 degrees 46' 46" West, a distance of 1.78 feet to the point of curvature of a curve to the right;

THENCE, northwesterly, a distance of 14.05 feet along the arc of said curve to the right having a radius of 110.00 feet through a central angle of 07 degrees 19' 12" and a chord that bears North 72 degrees 07' 10" West, a distance of 14.04 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 42.41 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 45.27 feet along the arc of said curve to

the left having a radius of 150.00 feet through a central angle of 17 degrees 17' 31" and a chord that bears South 27 degrees 23' 35" West, a distance of 45.10 feet to the point of tangency of said curve;

THENCE, South 18 degrees 44' 49" West, a distance of 169.30 feet to a point in the northerly right-of-way line of U.S. Highway 290 (right-of-way width, varies) and being on the arc of a curve to the right at the most southerly corner of the herein described tract;

THENCE, northwesterly, along said northerly right-of-way line a distance of 8.72 feet along the arc of said curve to the right having a radius of 477.47 feet through a central angle of 01' 02' 47" and a chord that bears North 70 degrees 43' 47" West, a distance of 8.72 feet to a Texas Department of Transportation monument found at the point of tangency of said curve;

THENCE, North 70 degrees 12' 24" West, continuing along said northerly right-of-way line, a distance of 13.91 feet to a Texas Department of Transportation monument found at the point of curvature of a curve to the right;

THENCE, northwesterly, continuing along said northerly right-of-way line a distance of 436.10 feet along the arc of said curve to the right having a radius of 2,694.79 feet through a central angle of 09 degrees 16' 20" and a chord that bears North 65 degrees 34' 13" West, a distance of 435.63 feet to an exterior corner of the herein described tract;

THENCE, North 28 degrees 41' 36" East, a distance of 35.02 feet to the point of curvature of a curve to the left;

THENCE, northeasterly, a distance of 17.75 feet along the arc of said curve to the left having a radius of 63.00 feet through a central angle of 16 degrees 08' 24" and a chord that bears North 20 degrees 37' 25" East, a distance of 17.69 feet to the point of reverse curvature of a curve to the right;

THENCE, northeasterly, a distance of 46.03 feet along the arc of said curve to the right having a radius of 112.50 feet through a central angle of 23 degrees 26' 36" and a chord that bears North 24 degrees 16' 31" East, a distance of 45.71 feet to the point of tangency of said curve;

THENCE, North 35 degrees 59' 48" East, a distance of 141.39 feet to the point of curvature of a curve to the right;

THENCE, northeasterly, a distance of 21.07 feet along the arc of said curve to the right having a radius of 37.50 feet through a central angle of 32 degrees 11' 39" and a chord that bears North 52 degrees 05' 38" East, a distance of 20.79 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 00' 12" West, a distance of 69.48 feet to an interior corner of the herein described tract;

THENCE, South 36 degrees 00' 04" West, a distance of 4.37 feet to an exterior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 186.81 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 15.94 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 40.00 feet to an exterior corner of the herein described tract;

THENCE, North 35 degrees 40' 57" East, a distance of 98.56 feet to an interior corner of the herein described tract;

THENCE, North 54 degrees 19' 03" West, a distance of 235.19 feet to the POINT OF BEGINNING and containing a computed area of 13.958 acres (608,019 square feet) land. SAVE AND EXCEPT the following described tract;

SAVE AND EXCEPT TRACT

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the northwesterly line

of said 19.855 acre tract at the most southerly corner of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and being the most easterly corner of said 13.5055 acre tract;

THENCE, South 37 degrees 21' 26" West, along the southeasterly line of said 13.5055 acre tract and along the northwesterly line of said 19.855 acre tract, a distance of 553.87 feet to a point;

THENCE, South 52 degrees 38' 34" East, a distance of 28.91 feet to the POINT OF BEGINNING and being an angle point of the herein described;

THENCE, North 76 degrees 11' 04" East, a distance of 35.74 feet to an angle POINT;

THENCE, South 53 degrees 58' 04" East, a distance of 117.23 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 30.50 feet to an interior corner of the herein described tract;

THENCE, South 53 degrees 58' 04" East, a distance of 5.52 feet to an exterior corner of the herein described tract;

THENCE, South 36 degrees 01' 56" West, a distance of 252.00 feet to the most southerly corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 34.80 feet to the point of curvature of a curve to the left;

THENCE, southwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears South 81 degrees 01' 56" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, South 36 degrees 01' 56" West, a distance of 16.00 feet to an exterior corner of the herein described tract;

THENCE, North 53 degrees 58' 04" West, a distance of 90.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 15.50 feet to the point of curvature of a curve to the left;

THENCE, northwesterly, a distance of 3.93 feet along the arc of said curve to the left having a radius of 2.50 feet through a central angle of 90 degrees 00' 00" and a chord that bears North 08 degrees 58' 04" West, a distance of 3.54 feet to the point of tangency of said curve;

THENCE, North 53 degrees 58' 04" West, a distance of 15.50 feet to an exterior corner of the herein described tract;

THENCE, North 36 degrees 01' 56" East, a distance of 255.68 feet to the POINT OF BEGINNING and containing a computed area of 0.973 of one acre (42,392 square feet) land, resulting in a net acreage of 12.985 acres (565,627 square feet) of land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTH CYPRESS PROPERTY HOLDINGS TRACT" prepared by Benchmark Engineering Corporation, Job Number 03112.

EXHIBIT B

PERMITTED EXCEPTIONS

1. All taxes for the year in which the Commencement Date occurs which are not yet due and payable, and any additional taxes resulting from reassessment of subject property.

2. Restrictions recorded in Volume 5943, Page 51, of the Deed Records of Harris County, Texas.

3. Terms, conditions and stipulations regarding development of the subject property, as set forth and defined in instrument filed for record under Clerk's File No. R488062, of the Official Records of Harris County, Texas.

4. Easement to Harris County Municipal Utility District No. 248 recorded in Clerk's File No. T954404, of the Official records of Harris County, Texas granting an easement 20 feet wide along the north 83.13 feet of the east property line.

5. Mineral and/or royalty interest recorded in Volume 5943, Page 51, of the Deed records of Harris County, Texas.

6. Mineral and/or royalty interest recorded in Volume 7725, Page 211, of the Deed records of Harris County, Texas.

7. Ordinance #1999-262, of the City of Houston, passed March 24, 1999, and amendments, pertaining to the platting and replatting of real property and the establishment of building set back lines along major thoroughfares within such boundaries.

8. City of Houston Ordinance 91-1701 regarding the planting, preservation and maintenance of trees and decorative landscaping, a certified copy of which is filed for record under Clerk's File No. N556388, of the Official Records of Harris County, Texas.

9. Inclusion within Harris County Municipal Utility District No. 248.

10. Terms and conditions of that certain Net Ground Lease (Northeast Parking Parcel) between Northern Healthcare Land Ventures, Ltd., as Lessor and MPT of North Cypress, L.P. as Lessee, a memorandum of which is recorded June _____, 2005 under Clerk's File No. _____ of Official Records.

11. Terms and conditions of that certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions, and Restrictions for Development and Operation of the North Cypress Medical Center Campus recorded June _____, 2005 under Clerk's File No. _____ of Official Records.

EXHIBIT C

NORTHEAST PARKING PARCEL

METES AND BOUNDS DESCRIPTION
PROPOSED NORTHEAST PARKING LOT
1.878 ACRES
May 6, 2005

All that certain 1.878 acre (81,823 square foot) tract of land situated in the William Jones Survey, Abstract Number 489, Harris County, Texas, being out of and a part of a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast comer of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 and being the northeast corner of said 19.855 acre tract, from which a 5/8-inch iron rod found at an angle point of a called 10.00 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647241 and said 19.855 acre tract bears South 87 degrees 37' 41" West, a distance of 413.32 feet;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to the POINT OF BEGINNING and being the northeast corner of the herein described tract;

THENCE, South 02 degrees 41' 38" East, continuing along said west right-of-way line, a distance of 322.86 feet TO the beginning of a curve to the right at the southeast corner of the herein described tract;

THENCE, southwesterly, a distance of 18.21 feet along the arc of said curve to the right having a radius of 28.00 feet through a central angle of 37 degrees

15' 57" and a chord that bears South 68 degrees 59' 10" West, A distance of 17.89 feet to the point of tangency of said curve;

THENCE, South 87 degrees 37' 09" West, a distance of 233.74 feet to the southwest corner of the herein described Tract;

THENCE, North 02 degrees 41' 38" West, a distance of 324.35 feet to the northwest corner of the herein described Tract;

THENCE, North 86 degrees 39' 10" East, a distance of 250.74 feet to the POINT OF BEGINNING and containing a compuTed area of 1.878 acres (81,823 square feet) land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTHEAST PARKING LOT" prepared by Benchmark Engineering Corporation, Job Number 03112.

EXHIBIT D

RESTRICTIONS, RULES AND REGULATIONS

OPERATIONS AND USE

NAME OF CAMPUS

1. The name of the Campus is North Cypress Medical Center Campus and the name may not be changed without prior written consent of all the Parties.

PERMITTED USES

2. Subject to the limitations set forth in this Article, the Campus may be used only for the development, construction, leasing, operation, and maintenance of hospitals, professional office buildings, medical services, retail business establishments and related facilities (such as the Common Areas) customarily located in a first class medical Campus.

PROHIBITED NUISANCES

3. No Party may conduct or permit any activity or use on its Parcel that:

(a) Constitutes a private or public nuisance.

(b) Emits any noise or sound that is objectionable due to intermittence, loudness, frequency, beat, or pitch.

(c) Emits any obnoxious odor.

(d) Involves the use of any noxious, toxic, hazardous, or corrosive chemical, fuel, gas, or other substance, except in the Hospital Areas where such substances may be used in connection with the provision of medical services or in the operation of the hospital in the Hospital Areas.

(e) Produces dust or dirt.

(f) Involves a risk of fire, explosion, or other dangerous hazard.

(g) Involves the burning or incineration of garbage or refuse.

(h) Violates a law, ordinance, or regulation of any governmental agency.

PROHIBITED OPERATIONS AND USES

4. No Parcel may be used for any of the following:

(a) Storage or warehousing, except by a retail establishment for temporary storage of goods intended for sale at its establishment, or by a hospital for temporary storage of goods intended for use in the operation of the hospital.

(b) Manufacturing, industrial, or residential uses.

(c) Displaying merchandise in Common Areas.

(d) Entertainment or recreational uses which include, but are not limited to: bowling alleys; skating rinks; theaters; video or other game arcades; health spas (except in the Hospital Areas), studios, gyms, night clubs; massage parlors; pool or billiard halls; pornographic or sexually oriented stores, materials including books, videos, films, discs or sex performances, and card rooms.

(e) Educational, training, or instructional uses, such as beauty schools, barber colleges, business or technical colleges, or other facilities oriented toward students or trainees rather than customers), provided nothing in this subparagraph shall be deemed to prohibit a hospital from being a teaching hospital.

FAST-FOOD USES

5. "Fast-food" establishments are permitted on the Campus.

RESTAURANT USES

6. Restaurants are permitted in the Campus subject to the following conditions:

(a) The restaurant is located in the Commercial Areas.

(b) A restaurant is located in the Hospital Areas as an accessory use to the operation of the Hospital Areas.

(c) An Occupant operating a restaurant must, at the Occupant's sole cost and expense, keep the Common Areas at all times free of trash and debris generated by the restaurant and its customers. No portion of this cost may be included in the Common Area Maintenance Costs.

(d) A lease to an Occupant operating a restaurant must contain provisions incorporating the preceding requirements.

RULES AND REGULATIONS

7. The Parties may from time to time adopt Rules and Regulations pertaining to the use of all Common Areas and other areas of the Campus by Occupants and Users, provided that no rule or regulation shall abrogate or modify the rights granted to any Party under this Agreement. Moreover, all Rules and Regulations apply equally and without discrimination to all Owners,

Users and Occupants. As part of its obligations to manage, operate, and maintain the Campus, the Owner must enforce these Rules and Regulations with respect to the Owner's Parcel. No portion of the Common Areas may be used for commercial purpose by an Occupant or User except as permitted by this Agreement or by the Rules and Regulations.

SIGNS

8. The regulations and restrictions for posting signs in Commercial Areas of the Campus are:

No sign, symbol, advertisement, or billboard may be constructed, used, maintained, erected, posted, displayed, or permitted on or about any portion of the Campus except as expressly allowed as follows

(a) One storefront, establishment name sign may be used for each retail establishment in the Campus provided that such sign:

(i) Identifies the name, business, or symbol of the establishment.

(ii) Does not advertise any particular item of merchandise (other than as may be contained in the store's trade name).

(iii) Is harmonious with the general exterior architectural style of the buildings in the Campus.

(iv) Is of a type, size, and design commonly found in first class regional centers.

(v) Complies with the dimensional, floor level elevation, location,

and style of lettering specifications approved by the Project Architect. The Project Architect has approved the foregoing signage specifications for the construction of the hospital in the Hospital Areas.

(vi) Otherwise complies with the sign criteria and requirements established in this document.

(vii) Has been approved by the Project Architect.

9. The regulations and restrictions for posting signs in the Hospital Areas of the Campus are those which have been approved by the Project Architect (hereinafter defined).

SOUND AND LIGHT PROJECTIONS

10. No Occupant may operate or maintain any system or electronic device (such as loudspeakers or search lights) that projects sound or light beyond the confines of the Occupant's retail establishment. A sound system for the Campus as a whole, if approved by the Parties, may be installed for general promotional purposes.

EXHIBIT E

FORM OF LETTER OF CREDIT

DATE

IRREVOCABLE STANDBY LETTER OF CREDIT NO.

TO:

WE HEREBY ESTABLISH OUR IRREVOCABLE LETTER OF CREDIT NO. IN YOUR FAVOR AT THE REQUEST AND FOR THE ACCOUNT OF , FOR THE SUM NOT TO EXCEED IN ALL U.S. DOLLARS (US $) AVAILABLE BY YOUR SIGHT DRAFT ON US, ACCOMPANIED BY:

1. BENEFICIARY'S STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF CERTIFYING THAT PAYMENT WAS NOT RECEIVED FROM AND REMAINS UNPAID AT THE TIME OF DRAWING.

2. INVOICE SHOWING THE AMOUNT OWED.

PARTIAL DRAWINGS ARE PERMITTED.

ALL DRAFTS SO DRAWN MUST BE MARKED "DRAWN UNDER REPUBLIC NATIONAL BANK STANDBY LETTER OF CREDIT NO. , DATED .

THIS CREDIT EXPIRES AT OUR COUNTERS ON . THE ORIGINAL OF THIS LETTER OF CREDIT MUST ACCOMPANY ALL DRAWINGS.

WE HEREBY ENGAGE WITH YOU THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED BY US UPON PRESENTATION.

THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 500 (1993 REVISION).

REPUBLIC NATIONAL BANK

SCHEDULE 3

GROUND RENT COMPONENT OF BASE RENT

Period	Annual Ground Rent Component	Monthly Installment
June 1, 2005 - December 31, 2009	$ 63,468.00	$ 5,289.00
January 1, 2010 - December 31, 2014	$ 68,545.00	$ 5,712.00

January 1, 2015 - December 31, 2019	$ 74,029.00	$ 6,169.00
January 1, 2020 - December 31, 2024	$ 79,951.00	$ 6,663.00
January 1, 2025 - December 31, 2029	$ 86,347.00	$ 7,196.00
January 1, 2030 - December 31, 2034	$ 93,255.00	$ 7,771.00
January 1, 2035 - December 31, 2039	$100,715.00	$ 8,393.00
January 1, 2040 - December 31, 2044	$108,772.00	$ 9,064.00
January 1, 2045 - December 31, 2049	$117,474.00	$ 9,790.00
January 1, 2050 - December 31, 2054	$126,872.00	$10,573.00
January 1, 2055 - December 31, 2059	$137,022.00	$11,418.00
January 1, 2060 - December 31, 2064	$147,984.00	$12,332.00
January 1, 2065 - December 31, 2069	$159,822.00	$13,319.00
January 1, 2070 - December 31, 2074	$172,608.00	$14,384.00
January 1, 2075 - December 31, 2079	$186,417.00	$15,535.00
January 1, 2080 - December 31, 2084	$201,330.00	$16,777.00
January 1, 2085 - December 31, 2089	$217,436.00	$18,120.00
January 1, 2090 - December 31, 2094	$234,831.00	$19,569.00
January 1, 2095 - December 31, 2099	$253,618.00	$21,135.00
January 1, 2100 - May 31, 2104	$273,907.00	$22,826.00

EXHIBIT 10.44

NET GROUND LEASE

(NORTHEAST PARKING PARCEL)

THIS NET GROUND LEASE ("Lease") is made and entered into the 13th day of June, 2005, but effective as of June 1, 2005, by and between NORTHERN HEALTHCARE LAND VENTURES, LTD. ("Landlord"), a Texas limited partnership, and MPT OF NORTH CYPRESS, L.P. ("Tenant"), a Delaware limited partnership.

W I T N E S S E T H:

WHEREAS, Landlord is the owner of certain real property located in Harris County, Texas and being more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof (the "Land");

WHEREAS, North Cypress Property Holdings, Ltd. ("North Cypress"), an entity with owners in common with Landlord, is the owner of certain real property located adjacent to the Land (the "Hospital Tract");

WHEREAS, Landlord intends to lease the Land to Tenant and Tenant intends to rent the Land from Landlord upon the terms and conditions hereinafter set forth;

WHEREAS, on or about the date hereof, North Cypress and Tenant entered into a ground lease pursuant to which North Cypress leased the Hospital Tract to Tenant;

WHEREAS, Tenant intends to sublease the Land and the Hospital Tract to North Cypress Medical Center Operating Company, Ltd. ("NCMC") pursuant to that certain Sublease Agreement (Pre-Construction), to be executed by Tenant and NCMC of even date herewith (the "Sublease");

WHEREAS, of even date herewith, NCMC and MPT Finance Company, LLC have consummated a construction loan, the proceeds of which shall be utilized by NCMC for construction of improvements on the Land and the Hospital Tract;

WHEREAS, Tenant intends to purchase from NCMC and NCMC intends to sell to Tenant the improvements being constructed by NCMC on the Land and the Hospital Tract and to evidence such intent, of even date herewith, Tenant and NCMC have entered into a purchase and sale agreement (the "Improvements Sales Contract"); and

WHEREAS, the Improvements Sales Contract provides, and Tenant and NCMC have agreed, that NCMC shall lease from Tenant the Land, the improvements purchased from NCMC and sublease the Hospital Tract.

NOW, THEREFORE, in consideration of the premises to be demised, the rents to be paid and of the other covenants, conditions, warranties and agreements hereinafter set forth, it is hereby agreed as follows:

1. Premises Demised. Landlord shall and by these presents does hereby demise and rent unto Tenant, and Tenant by these presents does hereby take and hire from Landlord the Land, together with all easements, rights and appurtenances relating thereto (the "Premises").

2. Term. This Lease shall be for a period of ninety-nine (99) years commencing on June 1, 2005 (the "Commencement Date"), and expiring on May 31, 2104, unless sooner terminated in accordance herewith. (Such ninety-nine (99) year period, as may be sooner terminated, is herein reformed to as the "Term").

3. Rent.

3.1 During the Term, Tenant agrees to pay to Landlord, without notice, demand, deduction, setoff or abatement, in lawful money of the United States, at Landlord's address set forth in Section 20 or such other place as Landlord shall designate in writing from time to time, annual rent for the Premises as set forth below (the "Rent"). Rent equal to one-twelfth (1/12th) of the annual rate then applicable shall be payable monthly in advance commencing

on the Commencement Date and continuing on the first (1st) day of each month thereafter during the Term. The Rent per applicable period is as follows:

Period	Annual Rent	Monthly Installment
June 1, 2005 - December 31, 2009	$ 63,468.00	$ 5,289.00
January 1, 2010 - December 31, 2014	$ 68,545.00	$ 5,712.00
January 1, 2015 - December 31, 2019	$ 74,029.00	$ 6,169.00
January 1, 2020 - December 31, 2024	$ 79,951.00	$ 6,663.00
January 1, 2025 - December 31, 2029	$ 86,347.00	$ 7,196.00
January 1, 2030 - December 31, 2034	$ 93,255.00	$ 7,771.00
January 1, 2035 - December 31, 2039	$100,715.00	$ 8,393.00
January 1, 2040 - December 31, 2044	$108,772.00	$ 9,064.00
January 1, 2045 - December 31, 2049	$117,474.00	$ 9,790.00
January 1, 2050 - December 31, 2054	$126,872.00	$10,573.00
January 1, 2055 - December 31, 2059	$137,022.00	$11,418.00
January 1, 2060 - December 31, 2064	$147,984.00	$12,332.00
January 1, 2065 - December 31, 2069	$159,822.00	$13,319.00
January 1, 2070 - December 31, 2074	$172,608.00	$14,384.00

Period	Annual Rent	Monthly Installment
January 1, 2075 - December 31, 2079	$186,417.00	$15,535.00
January 1, 2080 - December 31, 2084	$201,330.00	$16,777.00
January 1, 2085 - December 31, 2089	$217,436.00	$18,120.00
January 1, 2090 - December 31, 2094	$234,831.00	$19,569.00
January 1, 2095 - December 31, 2099	$253,618.00	$21,135.00
January 1, 2100 - May 31, 2104	$273,907.00	$22,826.00

Installments of Rent not received by Landlord within ten (10) calendar days after the due date thereof shall be subject to a late charge due and payable by Tenant to Landlord, in an amount equal to five percent (5%) of such past due Rent.

3.2 Except as expressly provided in this Lease, Tenant shall not be required to make any expenditure, incur any obligation, or incur any liability of any kind whatsoever in connection with this Lease or the financing, ownership, construction, maintenance, operation, or repair of the Premises, except for the liability insurance coverage for the Land and real estate taxes relating to the Premises to be paid through Tenant by NCMC under the Sublease or by any other subtenant of the Premises under any substitute sublease of the Premises.

4. Use of the Premises.

4.1 Tenant shall have the right to use the Premises for a parking area for service of the hospital improvements located in the vicinity of the Premises.

4.2 Tenant shall not use, nor shall it permit or suffer use of the Premises for any illegal or unlawful purpose, nor in any manner to create any nuisance or trespass. Tenant shall comply with all Governmental Requirements (as herein defined) concerning the condition or use of the Premises or any improvements constructed thereof, or any part thereof, or the business(es) conducted thereon. Tenant shall likewise observe and comply with the requirements of all policies of public liability, fire and all other policies of insurance required to be supplied by Tenant at any time in force with respect to the Premises. Tenant may, however, in good faith (and wherever necessary in the name of, but without expense to, Landlord), contest the validity of any Governmental Requirement; and, pending the determination of such contest, may postpone compliance with such Governmental Requirement, except that Tenant shall not postpone compliance therewith in such a manner as to subject Landlord to any fine or penalty or to prosecution for any misdemeanor, felony or other crime, or to cause the Premises or any Improvements thereon or any part thereof to be condemned. The term "Governmental Requirement", as used in this Lease, shall mean any present or future law, statute, act, judgment, order, ordinance, rule or regulation of any governmental authority having jurisdiction over the Premises, any improvements now or hereafter located thereon, or any other matter related thereto.

4.3 The Premises are encumbered by that certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions, and Restrictions for Development and Operation of the North Cypress Medical Center Campus, dated effective as of June 1, 2005 by and among Northern Healthcare Land Ventures, Ltd., Northern Healthcare Land Ventures-II, Ltd. and Landlord, and recorded, or to be recorded, in the real property records of Harris County, Texas (the "REA"). This Lease is subject to the terms and conditions of the REA. Landlord shall pay as and when due the assessment due under the REA and Tenant shall have no liability therefore.

4.4 Pursuant to Section 9.03 of the REA, Tenant is hereby notified that the restrictions, regulations and conditions regarding operation and use of the Campus (as defined in the REA), a copy of which are attached hereto as Exhibit "B" and by this reference made a part hereof, affect the Premises and that Tenant must comply with the same.

5. Expenses.

5.1 The Rent payable by Tenant hereunder shall be paid gross to Landlord. Any and all expenses, except for the liability insurance coverage for the Land and real estate taxes relating to the Premises to be paid through Tenant by NCMC under the Sublease or by any other subtenant of the Premises under any substitute sublease of the Premises, relating to the Premises arising and accruing from and after the Commencement Date and throughout the Term shall be borne by Landlord.

5.2 Landlord will use its best efforts to cause the Premises to be taxed as a separate tax parcel for the year 2006 and all years during the Term thereafter. If the applicable taxing authority will not tax the Premises as a separate tax parcel, the tax bill which includes the Premises shall be prorated among the owners of the land included in the tax bill. The proration shall be based on acreage of each parcel included within the tax bill.

6. Construction of Improvements. Tenant shall have the right, from time to time, to improve the Premises, as Tenant determines is desirable in its sole discretion, including the right to grade the Premises and construct parking improvements thereon. Tenant shall own all improvements placed upon the Premises.

7. Maintenance and Repairs. Tenant shall not be obligated to make any repairs, improvements or replacements to the Premises or to maintain the Premises in any manner whatsoever during the Term.

8. Condemnation. If at any time during the Term, title to all of the Premises shall be taken or condemned by any competent authority for any public use or purpose under any statute or by right of eminent domain, then this Lease shall terminate on the date of such taking and all Rent and other charges

payable by Tenant shall be apportioned as of the date of the taking. Nothing contained herein shall prevent Landlord or Tenant from prosecuting claims in any condemnation proceedings for the value of their respective interests. In the event that title to part of the Premises shall be taken or condemned and, in Tenant's sole discretion, Tenant determines

that the remaining portion of the Premises are not suitable for the purpose to which Tenant was utilizing the Premises at the time of the taking or condemnation or any other purpose for which Tenant may wish to utilize the Premises, then, and in that event, Tenant may elect to terminate this Lease as of the date possession shall be taken by such authority. Such notice of election shall be given in writing to Landlord within ninety-five (95) days after official notice to Tenant of the portion to be taken. In the event Tenant shall not timely exercise such option to terminate this Lease, or if part of the Premises shall be taken or condemned under circumstances whereby Tenant does not have such option, then, and in either of such events, the Rent for the balance of the Term shall be abated and adjusted in an equitable manner.

9. Damages/Destruction. In the event any improvements now or hereafter located on the Premises shall be damaged due to fire or other casualty, Tenant, in its sole discretion, may elect to rebuild the damaged improvements or to raze all or any of the improvements so damaged (and any other improvements deemed desirable by Tenant). Tenant shall provide notice to Landlord of its election on or before ninety (90) days subsequent to the date of the casualty. In the event Tenant has not commenced repair or reconstruction of the damaged improvements within six (6) months from the date of the casualty (or such longer period as may be required in order to obtain permits to allow for such repair or reconstruction), then Tenant shall raze the damaged improvements, remove the debris thereby created and return the Premises to a neat and orderly condition. If Tenant shall require more than the six (6) month period above described to commence repair or reconstruction, Tenant shall notify Landlord of such additional time as is needed.

10. Intentionally Deleted.

11. Intentionally Deleted.

12. Mechanic's Liens. Landlord will indemnify and hold Tenant harmless from and against any loss or damage due to any lien filed against the Premises on account of nonpayment or dispute with respect to labor or materials furnished in connection with the construction or repair of any of the improvements made by or for Landlord on the Premises prior to or during the Term. Tenant will indemnify and hold Landlord harmless from and against any loss or damage due to any lien filed against the Premises on account of nonpayment or dispute with respect to labor or materials furnished in connection with the construction or repair of any of the improvements made by or for Tenant on the Premises during the Term (provided the improvements being constructed by NCMC on the Land and the Hospital Tract shall not be deemed to be improvements made by or for Tenant pursuant to this Section 12).

13. Assignment and Subletting. This Lease may not be assigned by Landlord without the prior written consent of Tenant, which consent shall not be unreasonably withheld. Landlord shall not assign this Lease to any entity which is not a "special purpose entity" which sole asset is the Premises. Tenant, without Landlord's prior written consent, may assign this Lease or any interest therein or sublease the Premises or any portion thereof at any time and from time to time.

14. Default. In the event Tenant fails to pay the Rent as herein provided and such failure continues for ninety (90) days subsequent to Tenant's receipt of written notice of such failure from Landlord, then Landlord, after providing to Tenant a second written notice setting forth such failure and Tenant failing to cure such default within ten (10) days subsequent to Tenant's receipt of such second notice, may exercise any right or remedy allowed at law or in equity. If Tenant fails to promptly perform any other covenant hereunder or pay any other sums due hereunder, and Tenant has not cured such failure within ninety (90) days subsequent to Tenant's receipt of such written notice, then Landlord, after providing to Tenant a second written notice setting forth such failure and Tenant failing to cure such default within ten (10) days

subsequent to Tenant's receipt of such second notice, may exercise any right or remedy allowed at law or in equity; provided in no event, except as hereinafter specifically set forth in this Section 14, shall Landlord have the right to terminate this Lease as a result of Tenant's default. Notwithstanding anything in this Section 14 to the contrary, the remedies afforded Landlord under this Section 14 shall not be applicable to any default by Tenant for which a remedy is expressly provided in this Lease. The occurrence of any one or more of the following events shall also constitute a default by Tenant hereunder, for which Landlord will have the option, as its sole and exclusive remedy, to terminate this Lease and in connection therewith, and as a condition of such termination, to purchase all of Tenant's then existing interest in the Land, the Sublease, and the improvements being constructed by NCMC on the Land and the Hospital Tract, for an amount equal to the sum of the then outstanding principal balance of the loan from MPT Finance Company, LLC to NCMC, plus any and all other sums expended by Tenant in connection with the transactions contemplated by this Lease, the Sublease and such loan:

14.1 if any of Tenant, MPT Finance Company, LLC, MPT Operating Partnership L.P., or Medical Properties Trust, Inc. shall:

(a) admit in writing its inability to pay its debts generally as they become due,

(b) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(c) make an assignment for the benefit of its creditors,

(d) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(e) 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;

provided, however, that no such inability, petition, assignment, receivership, or forced reorganization as set forth in this Section 14.1 shall constitute a breach of this Lease if Tenant or its affiliates vigorously contest the same by appropriate proceedings and shall remove or vacate the same within ninety (90) days from the date of its creation, service or filing; or

14.2 if any of Tenant, MPT Finance Company, LLC, MPT Operating Partnership L.P., or Medical Properties Trust, Inc. 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 Tenant into, or a sale of substantially all of Tenant's assets to, another business entity; or

14.3 if NCMC shall have declared MPT Finance Company, LLC to be in default of any of its material covenants or obligations under the construction loan from MPT Finance Company, LLC to NCMC, and such default shall continue beyond any applicable notice, cure or grace period, provided such default is not caused by or did not arise due to any default by NCMC under such construction loan.

15. Further Encumbrances. Landlord agrees that it will not encumber the Premises with any easements, security deeds or other encumbrances without Tenant's prior written consent, which shall be given or withheld in Tenant's sole discretion. To the extent there exists easements or other agreements which affect the Premises as of the date hereof, and Tenant, in its reasonable discretion, determines that a modification thereof is necessary for the development of the Premises for Tenant's intended use or that other easements or other rights which encumber the Premises are necessary, then Landlord agrees to cooperate with Tenant in connection with modifying any such agreements and granting such other easements and rights.

16. Financing.

16.1 Landlord agrees that Tenant shall have the absolute right

during the Term to place one (1) or more deeds of trust, mortgages or similar security interests on all or any portion of Tenant's leasehold interest in the Premises and/or any improvements therein; provided, however, and except as provided below Tenant shall have no right whatsoever to encumber Landlord's fee title and reversionary interest in the Premises and such security instrument shall encumber only Tenant's rights under this Lease and the leasehold estate created hereby.

16.2 Notwithstanding any other provision of this Lease to the contrary, in the event Tenant or any sublessee of Tenant shall obtain a loan for construction of improvements on the Premises or any other loan secured by Tenant's leasehold interest in the Premises, Landlord, upon request by Tenant, shall subordinate this Lease and Landlord's interest therein to such construction loan and shall timely execute any and all documents reasonably requested by the construction lender to evidence such subordination, however in no event shall Landlord be required to subordinate its fee title or reversionary interest in the Premises to such construction loan.

16.3 In the event of a termination of this Lease prior to the expiration of the Term, Landlord, within thirty (30) days prior to the termination of the Lease, shall serve upon any institutional lender which holds a first priority mortgage encumbering Tenant's leasehold

interest in the Premises (a "Lender") written notice of such termination, together with a statement of any and all sums which would be due under the Lease as of the date of notice (but for the termination of the Lease) and a description of any and all events of default. Within thirty (30) days from its receipt of the notice of termination, Lender shall have the option to obtain a new lease for the Premises by providing Landlord with written notice of its desire to exercise such option. Upon Landlord's receipt of such notice, Landlord shall enter into a new lease for the Premises with Lender which shall:

(i) Commence as of the date of the termination of the Lease, and shall be effective for the remainder of the Term, and contain all of the terms and conditions that were set forth in the Lease, including, but not limited to, those pertaining to rental payments; and

(ii) Require the tenant under the new lease to cure any monetary events of default under the terminated Lease.

Landlord shall promptly take all actions necessary to evict Tenant or any other unauthorized party from the Premises and, subject to the rights of any sublessee, shall provide the tenant under the new lease with the sole and exclusive possession of the Premises upon execution of the new lease.

16.4 In the event of a termination of the Lease prior to the expiration of the Term and either (i) there exists no Lender, or (ii) the Lender does not elect to exercise its option in Section 16.3 above, then Landlord, (x) within thirty (30) days prior to the termination of the Lease if there is no Lender, or (y) within five (5) days subsequent to the expiration or waiver of Lender's option as described in Section 16.3 above if there is a Lender, shall serve upon any sublessee written notice of such termination, together with a statement of any and all sums which would be due under the Lease as of the date of notice (but for the termination of the Lease) and a description of any and all events of default. Within thirty (30) days from its receipt of notice of termination, the sublessee shall have the option to obtain a new lease for the Premises by providing with written notice of its desire to exercise such option. Upon Landlord's receipt of such notice, Landlord shall enter into a new lease for the Premises with the sublessee which shall (a) commence as of the day of the termination of the Lease and shall be effective for the remainder of the term of the sublease and contain all of the terms and conditions that were set forth in a sublease agreement between Tenant and such sublessee, including, but not limited to, those pertaining to rental payments and options to renew the term of the sublease, and (b) require the subtenant under the new lease to cure any monetary events of default under the terminated Lease.

Landlord shall promptly take all take action necessary to evict Tenant or any other unauthorized party from the Premises, and shall provide sublessee with the sole and exclusive possession of the Premises upon execution of the new lease.

16.5 For the benefit of any Lender, Landlord agrees, subject nevertheless to all of the terms, covenants, agreements, provisions, conditions and limitations contained in this Lease, not to accept a voluntary surrender of this Lease at any time during which Lender shall hold an outstanding mortgage, deed to secure debt or other security interest.

16.6 Landlord and Tenant hereby acknowledge and agree that any Lender and any sublessee is an intended third party beneficiary of this Section 16.

17. First Refusal. Landlord and its assigns and successors in title do by these presents bind themselves not to sell or convey the Premises or otherwise transfer the same to any person or entity during the Term except as provided in this Section 17. Tenant is herein granted the right to purchase the Premises upon equal terms to any bona fide offer Landlord intends to accept. Landlord, upon receipt of a bona fide offer for purchase of the Premises which Landlord intends to accept, shall promptly give written notice thereof to Tenant in writing setting forth the proposed terms and provisions of the sale including the purchase price, terms of payment, and such additional information as may be needed by Tenant to obtain a full understanding of the terms of the proposed sale. Tenant shall have a period of thirty (30) days subsequent to receipt of such notice within which to exercise in writing its option to purchase the Premises upon the same terms, covenants, and conditions as those set forth in the original offer. Failure of Tenant to exercise such option within said thirty (30) day period of time shall terminate Tenant's option rights (so long as the sale pursuant to the bona fide offer is consummated on the terms provided to Tenant) and thereafter, Landlord shall be free to proceed with a sale of the Premises in accordance with the terms of the bona fide offer to purchase. The exercise of the option by Tenant shall be upon the same terms, covenants, and conditions as those set forth in the original offer. In the event Tenant fails to timely acquire the Premises in accordance with the original offer, Landlord shall have the right to terminate Tenant's option to purchase the Premises and thereafter the provisions of this Section 17 shall be waived as to all other bona fide offers received by Landlord with respect to the sale of the Premises. A sale by Landlord, subject to the terms hereof, shall not affect Tenant's rights to continue as a tenant under the terms of this Lease. If Landlord does not close the sale of the Premises pursuant to a bona fide offer which Tenant has elected not to accept, then Tenant's right of first refusal shall apply to any subsequent bona fide offer received by Landlord.

18. Representations and Warranties. With the understanding that Tenant shall rely hereon, and as a material inducement to Tenant to enter into this Lease, Landlord hereby represents, warrants and covenants to Tenant as follows:

18.1 Landlord is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Texas.

18.2 Landlord has the requisite limited partnership 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 Lease. All limited partnership actions required to be taken by Landlord to authorize the execution, delivery and performance of this Lease, have been duly and properly taken or obtained in accordance and in compliance with Landlord's partnership agreement.

No other action on the part of Landlord or Landlord's partners (or other person's possessing and exercising similar control and authority over Landlord) is necessary to authorize the execution, delivery and performance of this Lease.

18.3 Landlord's execution, delivery and performance of this Lease and will not, with or without the giving of notice and/or the passage of time: (i) violate or conflict with any provision of Landlord's partnership agreement; (ii) violate or conflict with any provision of any law to which Landlord is subject; (iii) violate or conflict with any judgment, order, writ or decree of any court applicable to Landlord; (iv) result in or cause the creation of a lien on the Premises; 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 indenture, mortgage, deed of trust, contract, agreement or other instrument to which Landlord is a party or by which Landlord or the Premises is bound.

18.4 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 Landlord in connection with the execution, delivery and performance of this Lease.

18.5 Landlord is the sole and exclusive owner of the simple title to the Premises free and clear of any and all liens, encumbrances, restrictions or easements of any kind whatsoever and any adverse claims of third parties.

18.6 There are no tenants with respect to the Premises or other parties which have a possessory right to the Premises.

18.7 (a) No governmental entity or any nongovernmental third party has notified Landlord, or to Landlord's knowledge, any other party, of any alleged violation or investigation of any suspected violation under the Environmental Laws (hereinafter defined) in connection with the ownership of the Premises, 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 (hereinafter defined). To Landlord's knowledge, the Premises is in full compliance with the Environmental Laws.

(b) To the knowledge of Landlord, no Hazardous Materials have been stored, disposed of or arranged for the disposal on the Premises, except in compliance with the Environmental Laws and Landlord has not and will not install any underground storage tanks at, on or under the Premises.

(c) To the knowledge of Landlord, there have been no actions, 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 the Premises that could form the basis of any Environmental Claim (hereinafter defined) against Landlord or Tenant;

(d) Landlord has not contractually assumed or succeeded to any liability of any direct or indirect predecessors or any other person related or with respect to any Environmental Law.

(e) To the knowledge of Landlord, there are no conditions presently existing on, at or emanating from the Premises that may result in any liability, investigation or clean-up cost under any Environmental Law.

(f) For purposes of this Lease:

"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 or operated by the Landlord, now or in the past, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law.

"Environmental Law" means 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, 49 U.S.C. Section 6901, et seq., the Federal Water Pollution Control Act, 33 U.S.C. Sections 1251 et seq., the Clean Air Act, 42 U.S.C. Sections 741 et seq., the Clean Water Act, 33 U.S.C. Section 7401, et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601-2629, the Safe Drinking Water Act, 42 U.S.C. Sections 300f-300j, and all similar federal, state and local environmental statutes, ordinances and the regulations,

orders, or decrees now or hereafter promulgated thereunder.

"Hazardous Materials" means 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 Environmental Law.

18.8 There is no suit, action, proceeding, inquiry or investigation against or involving Landlord or any of its properties or rights, pending or, to the knowledge of Landlord 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 to the knowledge of Landlord are there any facts which might result in or form the basis of any such claim. 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 Landlord and Landlord 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 Landlord, threatened which questions or challenges Landlord's title and ownership of the Premises, or which questions or challenges the validity of this Lease or any action taken or to be taken by Landlord pursuant to this Lease, and there is no basis for any such claim.

18.9 There are no service, supply or management agreements which relate to or affect the Premises.

19. Brokerage Commission. Each of the parties hereto represents and warrants to the other that it has not caused any broker to be entitled to a fee or commission by reason of this Lease. Each party agrees to hold the other party harmless and to indemnify the other party from and against the claims of any other broker for a commission resulting form the acts of the indemnifying party.

20. Notice. All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Lease shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Landlord: Northern Healthcare Land Ventures, Ltd.
6830 North Eldridge Parkway, Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D.
Phone: (713) 466-6040
Fax: (713) 466-6050

with copies to: Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attention: Frank T. Sossi, Esq.
Phone: (330) 253-1804
Fax: (330) 253-1813

Petronella Law Firm, P.C.
8 Greenway Plaza, Suite 606
Houston, Texas 77046
Attention: Richard Petronella, Esq.

Phone: (713) 965-0606
Fax: (713) 965-0676

(b) if to Tenant: MPT of North Cypress,
L.P. 1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.,
Executive Vice President &
General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to: Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attention: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

Rejection or other refusal by the addressee to accept, or the inability of the courier service or the United States Postal Service to deliver because of a changed address of which no notice was given, shall be deemed to be receipt of the notice sent. Any party shall have the right, from time to time, to change the address to which notices to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address.

21. Quiet Enjoyment. Subject only to the terms of this Lease, so long as Tenant is not in default in the performance of its obligations under this Lease, Landlord covenants that Tenant shall and may at all times during the Term hold and have the quiet and peaceful enjoyment of the Premises and the sole and exclusive possession of the Premises without objection or interference from Landlord or any party claiming under Landlord.

22. Estoppel Certificate. From time to time, each party hereto, on or before the date specified in a request therefor made by the other party, which date shall not be earlier than ten (10) days from the making of such request, but not more than three (3) times per calendar year, shall execute, acknowledge and deliver to the other party a certificate evidencing whether or not (i) this Lease is in full force and effect; (ii) this Lease has been amended in any way; and (iii) there are any existing defaults on the part of either party hereunder, to the knowledge of such other party, and specifying the nature of such defaults, if any; (iv) stating the date to which rent and other amounts due hereunder, if any, have been paid; and (v) such other matters as may reasonably be requested by such party. Each certificate delivered pursuant to this Section 22 may be relied on by the addressee thereof and any prospective transferee of Landlord's or Tenant's interest hereunder and any lender of Landlord or Tenant.

23. Option to Terminate Lease. Landlord, at its option and subject to satisfaction of the following conditions, may elect to terminate this Lease (the "Termination Right"). As a condition precedent to the exercise of the Termination Right, Landlord, at Landlord's sole cost and expense, shall construct or cause to be constructed on that certain tract of land adjacent to

the Premises and being more particularly described on Exhibit "B" attached hereto and by this reference made a part hereof (the "Hospital Tract") parking spaces and drive areas in a quantity sufficient to replace all parking spaces and drive areas located on the Premises (the "Relocated Parking Work"). Landlord shall submit to Tenant for its review and written approval all plans for the Relocated Parking Work which approval shall include approval of the location of the relocated parking area. The Relocated Parking Work shall be done in a good and workman like manner, be of a quality equal to or greater than the then existing parking improvements located on the Hospital Tract and be in accordance with all applicable laws, rules, and regulations and the REA. Prior to commencing the Relocated Parking Work, Landlord shall deliver to Tenant a copy of the permits for such work and certificates of insurances for such insurance as may be required by Tenant and any mortgagee of Tenant. Landlord, as part of the Relocated Parking Work, shall landscape the area in which the relocated parking is constructed in a manner equal to or greater than the landscaping then at the Hospital Tract. Upon completion of the Relocated Parking Work, Landlord shall provide Tenant with evidence of substantial completion of the Relocated Parking Work in accordance with the plans approved by Tenant and a certificate of occupancy or equivalent documentation which will allow the use of the relocated parking by Tenant, which evidence and other documentation shall be acceptable to Tenant in its sole discretion. After completion of the Relocated Parking Work as required herein and delivery to Tenant of acceptable evidence of substantial completion and occupancy and use rights, Landlord, by written notice to Tenant may exercise the Termination Right. The termination of this Lease shall be effective ten (10) days subsequent to Tenant's receipt

of Landlord's notice of Landlord's exercise of the Termination Right and thereafter neither Landlord nor Tenant shall have any further rights, duties or obligations hereunder.

24. Miscellaneous.

24.1 This Lease shall inure to the benefit of and is binding on the permitted successors and assigns of the Landlord and the successors and assignee of Tenant.

24.2 This Lease Agreement, upon execution by all parties hereto, shall become effective as of, and the "date of this Lease" or "date hereof" wherever used herein shall mean, June 1, 2005.

24.3 This Lease, and all terms and conditions herein, shall not be subject or subordinate to any mortgages, deeds of trust and deeds to secure debt, placed by Landlord upon the Premises.

24.4 This Lease shall be governed by and interpreted in accordance with the laws of the State of Texas, without regard to the principles of conflicts of laws.

24.5 This Lease is the entire agreement between the parties and no modification thereof shall be made except in writing, signed by the parties.

24.6 A memorandum of this Lease shall be executed by Landlord and Tenant simultaneously with the execution of this Lease and either party may record the memorandum in the appropriate records of Harris County, Texas.

24.7 If Tenant remains in possession of the Premises after expiration of the Term, Tenant shall be a tenant at will at a rental rate equal to 125% of the rate in effect at the end of the Term; and there shall be no renewal of this Lease by operation of law.

24.8 At the expiration or earlier termination of the Term, Tenant shall surrender possession of the Premises and any improvements thereon owned by Tenant to Landlord. All personal property located on the Premises is the property of Tenant and may be removed by Tenant from the Premises on or prior to the expiration of the Term.

24.9 The titles or headings of the various Sections and subsections of this Lease are intended solely for convenience of reference, and are not intended to modify, explain or place construction upon any provision of this Lease in any way whatsoever.

24.10 This Lease may be executed in any number of counterparts, and each of such counterparts for all purposes shall be deemed to be an original, and all of such counterparts shall constitute one and the same Lease.

24.11 TIME IS OF ESSENCE OF THIS LEASE.

IN WITNESS WHEREOF, Landlord and Tenant have cause their incumbent and duly authorized representatives to execute this lease effective as of June 1, 2005.

LANDLORD:

NORTHERN HEALTHCARE LAND VENTURES, LTD.,
a Texas limited partnership

By: Northern Healthcare Land Ventures GP, LLC, a Texas limited liability company, its general partner

By: /s/ Robert A. Behar

Robert A. Behar, M.D., Manager and Vice Chairman

TENANT:

MPT OF NORTH CYPRESS, L.P., a Delaware limited partnership

By: MPT of North Cypress, LLC, a Delaware limited liability company, its general partner

By: MPT Operating Partnership, L.P., a Delaware limited partnership, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By: /s/ Edward K. Aldag, Jr.

Print Name: Edward K. Aldag, Jr.

Title: President & CEO

EXHIBIT "A"

DESCRIPTION OF THE LAND

METES AND BOUNDS DESCRIPTION
PROPOSED NORTHEAST PARKING LOT
1.878 ACRES
May 6, 2005

All that certain 1.878 acre (81,823 square foot) tract of land situated in the William Jones Survey, Abstract Number 489, Harris County, Texas, being out of and a part of a called 19.855 acre tract of land as described by deed recorded under Harris County Clerk's File Number X441181 and being more particularly described by metes and bounds as follows: (All bearings based on the Texas State Plane Coordinate System, South Central Zone)

COMMENCING FOR REFERENCE at a 5/8-inch iron rod found in the west right-of-way line of Huffmeister Road (100-foot wide right-of-way) at the southeast comer of a called 5.1348 acre tract of land as described by deed recorded under Harris County Clerk's File Number X647240 and being the northeast corner of said 19.855 acre tract, from which a 518-inch iron rod found at an angle point of a called 10.00 acre tract of land as described by deed recorded under Harris County

Clerk's File Number X647241 and said 19.855 acre tract bears South 87 degrees 37' 41" West, a distance of 413.32 feet;

THENCE, South 02 degrees 41' 38" East, along said west right-of-way line, a distance of 55.63 feet to the POINT OF BEGINNING and being the northeast corner of the herein described tract;

THENCE, South 02 degrees 41' 38" East, continuing along said west right-of-way line, a distance of 322.86 feet TO the beginning of a curve to the right at the southeast corner of the herein described tract;

THENCE, southwesterly, a distance of 18.21 feet along the arc of said curve to the right having a radius of 28.00 feet through a central angle of 37 degrees 15' 57" and a chord that bears South 68 degrees 59' 10". West, A distance of 17.89 feet to the point of tangency of said curve;

THENCE, South 87 degrees 37' 09" West, a distance of 233.74 feet to the southwest corner of the herein described Tract;

THENCE, North 02 degrees 41' 38" West, a distance of 324.35 feet to the northwest corner of the herein described Tract;

THENCE, North 86 degrees 39' 10" East, a distance of 250.74 feet to the POINT OF BEGINNING and containing a compuTed area of 1.878 acres (81,823 square feet) land.

This description is based on a survey made on the ground of the property and is issued in conjunction with an exhibit map entitled "PROPOSED NORTHEAST PARKING LOT" prepared by Benchmark Engineering Corporation, Job Number 03112.

EXHIBIT "B"

RULES, REGULATIONS AND RESTRICTIONS

OPERATIONS AND USE

NAME OF CAMPUS

1. The name of the Campus is North Cypress Medical Center Campus and the name may not be changed without prior written consent of all the Parties.

PERMITTED USES

2. Subject to the limitations set forth in this Article, the Campus may be used only for the development, construction, leasing, operation, and maintenance of hospitals, professional office buildings, medical services, retail business establishments and related facilities (such as the Common Areas) customarily located in a first class medical Campus.

PROHIBITED NUISANCES

3. No Party may conduct or permit any activity or use on its Parcel that:

(a) Constitutes a private or public nuisance.

(b) Emits any noise or sound that is objectionable due to intermittence, loudness, frequency, beat, or pitch.

(c) Emits any obnoxious odor.

(d) Involves the use of any noxious, toxic, hazardous, or corrosive chemical, fuel, gas, or other substance, except in the Hospital Areas where such substances may be used in connection with the provision of medical services or in the operation of the hospital in the Hospital Areas.

(e) Produces dust or dirt.

(f) Involves a risk of fire, explosion, or other dangerous hazard.

(g) Involves the burning or incineration of garbage or refuse.

(h) Violates a law, ordinance, or regulation of any governmental agency.

PROHIBITED OPERATIONS AND USES

4. No Parcel may be used for any of the following:

(a) Storage or warehousing, except by a retail establishment for temporary storage of goods intended for sale at its establishment, or by a hospital for temporary storage of goods intended for use in the operation of the hospital.

(b) Manufacturing, industrial, or residential uses.

(c) Displaying merchandise in Common Areas.

(d) Entertainment or recreational uses which include, but are not limited to: bowling alleys; skating rinks; theaters; video or other game arcades; health spas (except in the Hospital Areas), studios, gyms, night clubs; massage parlors; pool or billiard halls; pornographic or sexually oriented stores, materials including books, videos, films, discs or sex performances, and card rooms.

(e) Educational, training, or instructional uses, such as beauty schools, barber colleges, business or technical colleges, or other facilities oriented toward students or trainees rather than customers), provided nothing in this subparagraph shall be deemed to prohibit a hospital from being a teaching hospital.

FAST-FOOD USES

5. "Fast-food" establishments are permitted on the Campus.

RESTAURANT USES

6. Restaurants are permitted in the Campus subject to the following conditions:

(a) The restaurant is located in the Commercial Areas.

(b) A restaurant is located in the Hospital Areas as an accessory use to the operation of the Hospital Areas.

(c) An Occupant operating a restaurant must, at the Occupant's sole cost and expense, keep the Common Areas at all times free of trash and debris generated by the restaurant and its customers. No portion of this cost may be included in the Common Area Maintenance Costs.

(d) A lease to an Occupant operating a restaurant must contain provisions incorporating the preceding requirements.

RULES AND REGULATIONS

7. The Parties may from time to time adopt Rules and Regulations pertaining to the use of all Common Areas and other areas of the Campus by Occupants and Users, provided that no rule or regulation shall abrogate or modify the rights granted to any Party under this Agreement. Moreover, all Rules and Regulations apply equally and without discrimination to all Owners, Users and Occupants. As part of its obligations to manage, operate, and maintain the Campus, the Owner must enforce these Rules and Regulations with respect to the Owner's Parcel. No portion of the Common Areas may be used for commercial purpose by an Occupant or User except as permitted by this Agreement or by the Rules and Regulations.

SIGNS

8. The regulations and restrictions for posting signs in Commercial Areas of the Campus are:

No sign, symbol, advertisement, or billboard may be constructed, used, maintained, erected, posted, displayed, or permitted on or about any portion of the Campus except as expressly allowed as follows

(a) One storefront, establishment name sign may be used for each retail establishment in the Campus provided that such sign:

(i) Identifies the name, business, or symbol of the establishment.

(ii) Does not advertise any particular item of merchandise (other than as may be contained in the store's trade name).

(iii) Is harmonious with the general exterior architectural style of the buildings in the Campus.

(iv) Is of a type, size, and design commonly found in first class regional centers.

(v) Complies with the dimensional, floor level elevation, location, and style of lettering specifications approved by the Project Architect. The Project Architect has approved the foregoing signage specifications for the construction of the hospital in the Hospital Areas.

(vi) Otherwise complies with the sign criteria and requirements established in this document.

(vii) Has been approved by the Project Architect.

9. The regulations and restrictions for posting signs in the Hospital Areas of the Campus are those which have been approved by the Project Architect (hereinafter defined).

SOUND AND LIGHT PROJECTIONS

10. No Occupant may operate or maintain any system or electronic device (such as loudspeakers or search lights) that projects sound or light beyond the confines of the Occupant's retail establishment. A sound system for the Campus as a whole, if approved by the Parties, may be installed for general promotional purposes.

EXHIBIT 10.45

AMENDMENT TO THE
FIRST AMENDED AND RESTATED AGREEMENT
OF LIMITED PARTNERSHIP
OF MPT OPERATING PARTNERSHIP, L.P.

This amendment to the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. (the "Partnership Agreement") is made and entered into as of the 7th day of April, 2004 by and among MPT Operating Partnership, L.P. (the "Partnership"), Medical Properties Trust, LLC, a Delaware limited liability company and currently the sole general partner of the Partnership, and Medical Properties Trust, Inc., a Maryland corporation, currently the sole limited partner of the Partnership.

1. Exhibit A to the Partnership Agreement is hereby amended in its entirety to read as follows:

Partner	Cash Contribution	Agreed Value of Capital Contribution	Number of Partnership Units	Percentage Interest
GENERAL PARTNER:				
Medical Properties Trust, LLC, a Delaware limited liability company	$ 2,335,127	$ 2,335,127	260,828.62	1%
LIMITED PARTNER:				
Medical Properties Trust, Inc.	$ 231,177,554	$ 231,177,554	25,822,033.38	99%
TOTALS:	$ 233,512,681	$ 233,512,681	26,082,862	100%

2. Except as expressly modified by this Amendment, all other terms and conditions of the Partnership Agreement shall not be modified or amended and shall remain in full force and effect.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have hereunder affixed their signatures to this Amendment to the Amended and Restated Agreement of Limited Partnership, all as of the date first above written.

PARTNERSHIP:

MPT OPERATING PARTNERSHIP, L.P.
BY: MEDICAL PROPERTIES TRUST, LLC
ITS: GENERAL PARTNER
BY: MEDICAL PROPERTIES TRUST, INC.
ITS: SOLE MEMBER

By: /s/ R. Steven Hamner

Name: R. Steven Hamner
Title: Executive Vice President and
Chief Financial Officer

GENERAL PARTNER:

MEDICAL PROPERTIES TRUST, LLC

BY: MEDICAL PROPERTIES TRUST, INC.
ITS: SOLE MEMBER

By: /s/ R. Steven Hamner

Name: R. Steven Hamner
Title: Executive Vice President and
Chief Financial Officer

LIMITED PARTNER:

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. Steven Hamner

Name: R. Steven Hamner
Title: Executive Vice President and
Chief Financial Officer

EXHIBIT 10.46

CONSTRUCTION LOAN AGREEMENT

FOR A LOAN IN THE AMOUNT OF

$64,028,000.00

MADE BY AND BETWEEN

NORTH CYPRESS MEDICAL CENTER
OPERATING COMPANY, LTD.

AS BORROWER

AND

MPT FINANCE COMPANY, LLC

AS LENDER

Dated as of June 1, 2005

TABLE OF CONTENTS

LIST OF EXHIBITS TO LOAN AGREEMENT

CONSTRUCTION LOAN AGREEMENT

THIS CONSTRUCTION LOAN AGREEMENT ("Agreement") is made as of June 1, 2005, by and among NORTH CYPRESS MEDICAL CENTER OPERATING COMPANY, LTD., a Texas limited partnership ("Borrower"), and MPT FINANCE COMPANY, LLC, a Delaware

limited liability company, its successors and assigns ("Lender").

WITNESSETH:

RECITALS

A. Northern Healthcare Land Ventures, Ltd., a Texas limited partnership ("NHLV"), is the owner in fee simple of land located at Huffmeister Road, in the City of Houston, County of Harris, State of Texas, and legally described in Exhibit A attached hereto (the "Parking Tract").

B. North Cypress Property Holdings, LTD., a Texas limited partnership ("Holdings") is the owner in fee simple of land located at Huffmeister Road and Highway 290, in the City of Houston, County of Harris, State of Texas, and legally described in Exhibit A attached hereto (the "Hospital Tract"; the Parking Tract and the Hospital Tract, collectively, the "Land").

C. Pursuant to that certain Net Ground Lease dated of even date herewith (the "Hospital Tract Ground Lease"), Holdings has leased the Hospital Tract to MPT of North Cypress, L.P. ("MPT Land Entity").

D. Pursuant to that certain Net Ground Lease dated of even date herewith (the "Parking Tract Ground Lease"; the Hospital Tract Ground Lease and the Parking Tract Ground Lease, collectively, the "Ground Lease"), NHLV has leased the Parking Tract to MPT Land Entity.

E. Pursuant to that certain Net Lease Agreement dated of even date herewith (the "Sublease"), MPT Land Entity has subleased the Land to Borrower.

F. Borrower proposes to construct a 64-bed hospital building on the Hospital Tract to be known as "North Cypress Medical Center", containing in the aggregate approximately 225,000 gross square feet of space.

G. Borrower has applied to Lender for a loan in the amount of up to SIXTY-FOUR MILLION TWENTY-EIGHT THOUSAND and No/100 DOLLARS ($64,028,000.00) (the "Loan") to fund construction of such hospital building, and Lender is willing to make the Loan on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1
INCORPORATION OF RECITALS AND EXHIBITS

1.1. INCORPORATION OF RECITALS.

The foregoing preambles and all other recitals set forth herein are made a part hereof by this reference.

1.2. INCORPORATION OF EXHIBITS.

Exhibits A through G, to this Agreement, attached hereto are incorporated in this Agreement and expressly made a part hereof by this reference.

ARTICLE 2
DEFINITIONS

2.1. DEFINED TERMS.

The following terms as used herein shall have the following meanings:

Affiliate: With respect to a specified person or entity, any individual, partnership, corporation, limited liability company, trust, unincorporated organization, association or other entity which, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such person or entity, including, without limitation, any general or limited partnership in which such person or entity is a general partner.

Agreement: This Construction Loan Agreement.

Applicable Rate: A fixed interest rate of ten and one-half percent (10.5%) per annum.

Appraisal: An MAI certified appraisal of the Project performed in accordance with Lender's appraisal requirements by an appraiser selected and retained by Lender.

Architect: Davis Stokes Collaborative, P.C.

Assignment of Rents: An assignment of leases and rents made by Borrower in favor of Lender assigning all leases, subleases and other agreements relating to the use and occupancy of all or any portion of the Project, and all present and future leases, rents, issues and profits therefrom.

Authorized Representative: Robert A. Behar, M.D.

Bankruptcy Code: Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto or any other present or future bankruptcy or insolvency statute.

Bond: A Performance Bond and Labor and Material Payment Bond in a form approved by Lender, with the General Contractor or each Major Subcontractor, as the case may be, as principal, with a surety company acceptable to Lender and licensed to do business in the State, as surety, with a dual obligee rider in favor of Lender.

Borrower's Knowledge: The actual knowledge of Borrower and its Affiliates and their respective members, general partners, officers and directors, after having conducted a reasonable investigation and inquiry thereof.

Budget: The budget for the Project specifying all costs and expenses of every kind and nature whatever to be incurred by Borrower in connection with the Project prior to the Maturity Date.

Budget Line Item: As such term is defined in Section 10.2.

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.

CERCLA: See Section 3.1(m)(i).

Change Order: Any request for changes in the Plans and Specifications (other than minor field changes involving no extra cost).

Completion Date: December 1, 2006, subject to extension pursuant to Section 15.2.

Construction or construction: The construction of the Improvements in accordance with the Plans and Specifications, and all Tenant Work and related improvements required to be performed by Borrower under Leases.

Construction Commencement Date: The date Construction commences, which shall be no later than thirty (30) days from the Loan Opening Date.

Construction Schedule: A Schedule satisfactory to Lender and Lender's Consultant, establishing a timetable for completion of the Construction, showing, on a monthly basis, the anticipated progress of the Construction and also showing that the Improvements can be completed on or before the Completion Date.

Contingency Fund: A Budget Line Item which shall represent an amount necessary to provide reasonable assurances to Lender than additional funds are available to be used if additional costs and expenses are incurred or additional interest accrues on the Loan, or unanticipated events or problems occur.

Control: As such term is used with respect to any person or entity, including the correlative meanings of the terms "controlled by" and "under common control with", shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise.

Default or default: Any event, circumstance or condition, which, if it were to continue uncured, would, with notice or lapse of time or both, constitute an Event of Default hereunder.

Default Rate: A rate per annum equal to eighteen percent (18.0%) or the highest rate permitted by Law, if less.

Deficiency Deposit: As such term is defined in Section 11.1.

Environmental Indemnity: An indemnity from the Borrower indemnifying Lender with regard to all matters related to Hazardous Material and other environmental matters and "Building Laws", as defined therein.

Environmental Laws: See Section 3.1(m)(i).

Environmental Proceedings: Any environmental proceedings, whether civil (including actions by private parties), criminal, or administrative proceedings, relating to the Project.

Environmental Report: An environmental report prepared at Borrower's expense by a qualified environmental consultant approved by Lender, dated not more than six (6) months prior to the Loan Opening Date and addressed to Lender (or subject to separate letter agreement permitting Lender to rely on such environmental report).

EPA: See Section 3.1(m)(ii).

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder from time to time.

Event of Default: As such term is defined in Article 19.

General Contract: The general contract(s) between Borrower and General Contractor, pertaining to the construction of all onsite and offsite improvements for the Project.

General Contractor: Gilbane Building Company.

Generally Accepted Accounting Principles or GAAP: Principles that are (a) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, as in effect from time to time; and (b) consistently applied with past financial statements of the person adopting the same principles; provided that a certified public accountant would, insofar as the use of such accounting principles is pertinent, be in a position to deliver an unqualified opinion (other than a qualification regarding changes in Generally Accepted

Accounting Principles) as to financial statements in which such principles have been properly applied.

Governmental Approvals: Collectively, all consents, licenses, and permits and all other authorizations or approvals required under applicable Laws from any Governmental Authority for the Construction in accordance with the Plans and Specifications and the operation of the Project.

Governmental Authority: Any federal, state, county or municipal government, or political subdivision thereof, any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, or public body, or any court, administrative tribunal, or public utility.

Ground Lease: See Recital D above.

HADC: Hospital Affiliates Development Corporation, the Program Manager for the Project pursuant to the Program Development Agreement.

Hazardous Material: Means and includes gasoline, petroleum, asbestos containing materials, explosives, radioactive materials or any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any Law of any Governmental Authority having jurisdiction over the Project or any portion thereof or its use, including: (i) any "hazardous substance" defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. Section 9601(14), as may be amended from time to time, or any so-called "superfund" or "superlien" Law, including the judicial interpretation thereof; (ii) any "pollutant or contaminant" as defined in 42 U.S.C.A. Section 9601(33); (iii) any material now defined as "hazardous waste" pursuant to 40 C.F.R. Part 260; (iv) any petroleum, including crude oil or any fraction thereof; (v) natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel; (vi) any "hazardous chemical" as defined pursuant to 29 C.F.R. Part 1910; and (vii) any other toxic substance or contaminant that is subject to any other Law or other past or present requirement of any Governmental Authority. Any reference above to a Law includes the same as it may be amended from time to time, including the judicial interpretation thereof.

Holdings: As such term is defined in Recital B above.

Improvements: The improvements referred to in Recital F above and more particularly described in the Plans and Specifications, and offsite improvements and together with any existing improvements not to be demolished.

In Balance or in balance: As such term is defined in Article 11.

Including or including: Including but not limited to.

Indemnified Party: As such term is defined in Section 15.1(r).

Internal Revenue Code: The Internal Revenue Code of 1986, as amended from time to time.

Land: As such term is defined in Recital B.

Laws: Collectively, all federal, state and local laws, statutes, codes, ordinances, orders, rules, regulations, judicial opinions and precedential authority in the applicable jurisdiction and including, without limitation, all state, federal and local health care laws and regulations.

Leases: The collective reference to all leases, subleases and occupancy agreements affecting the Project or any part thereof now existing or hereafter executed (including, without limitation, the Ground Lease and the Sublease) and all amendments, modifications or supplements thereto approved in writing by Lender.

Lender: As defined in the opening paragraph of this Agreement, and including any successor holder of the Loan from time to time.

Lender's Consultant: An independent consulting architect, inspector, and/or engineer designated by Lender in Lender's sole discretion.

Lender's Environmental Consultant: An environmental consultant designated by Lender in Lender's sole discretion.

Loan: As defined in Recital G.

Loan Amount: The maximum amount of the Loan as set forth in Section 4.1(a) as reduced by principal payments made from time to time.

Loan Documents: The collective reference to this Agreement, the documents and instruments listed in Section 4.2, and all the other documents and instruments entered into from time to time, evidencing or securing the Loan or any obligation of payment thereof or performance of Borrower's obligations in connection with the transaction contemplated hereunder, each as amended.

Loan Opening Date: The date the Mortgage has been recorded and all conditions to the initial disbursement of the Loan have been satisfied.

Major Subcontractor: Any subcontractor under a Major Subcontract.

Major Subcontracts: All subcontracts between the General Contractor and any subcontractors and material suppliers which provide for an aggregate contract price equal to or greater than $500,000.00.

Material Adverse Change or material adverse change: If, in Lender's reasonable discretion, the business prospects, operations or financial condition of a person, entity or property has changed in a manner which could impair the value of Lender's security for the Loan, prevent

timely repayment of the Loan or otherwise prevent the applicable person or entity from timely performing any of its material obligations under the Loan Documents.

Maturity Date: December 1, 2006, as the same may be extended by Lender as provided in Section 4.3, or such earlier date on which the Loan shall become due and payable pursuant to the terms hereof.

Mortgage: A construction leasehold deed of trust, security agreement and fixture filing, executed by Borrower in favor of John M. Nolan as trustee for the benefit of Lender securing this Agreement, the Note, and all obligations of Borrower in connection with the Loan, granting a first priority lien on Borrower's interest in the Improvements and Borrower's leasehold interest in the Project, subject only to the Permitted Exceptions.

MPT Land Entity: See Recital C above.

NHLV: See Recital A above.

Note: A promissory note, in the Loan Amount, executed by Borrower and payable to the order of Lender, evidencing the Loan.

Obligations: All indebtedness, obligations and liabilities of Borrower to Lender existing on the date of this Agreement or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, in each case arising or incurred under this Agreement or any of the other Loan Documents or in respect of any of the advances or the Note or other instruments at any time evidencing any thereof.

Opening of the Loan or Loan Opening: The first disbursement of Loan proceeds.

Permitted Exceptions: Those matters listed on Exhibit B to which title to the Project may be subject at the Loan Opening and thereafter such other title exceptions as Lender may reasonably approve in writing.

Plans and Specifications: Detailed plans and specifications, as approved by Lender, referred to in Section 9.1(f), as modified from time to time in accordance with the terms hereof.

Post-Construction Lease: See Section 8.1(a).

Pro-Forma Projection: A pro forma statement of projected income and expenses of the Project.

Program Development Agreement: That certain Program Development Agreement dated as of November 1, 2004, between Borrower and HADC relating to the development and construction of the Project.

Project: The collective reference to (i) Borrower's leasehold interest in the Land pursuant to the Ground Lease and the Sublease, together with all buildings, structures and improvements

located or to be located thereon, including the Improvements, (ii) all rights, privileges, easements and hereditaments relating or appertaining thereto, and (iii) all personal property, fixtures and equipment required or beneficial for the operation thereof.

Purchase Agreement: That certain Purchase and Sale Agreement dated of even date herewith, between Borrower, as seller, and MPT Land Entity, as purchaser, providing for the sale of the Improvements upon their completion.

RCRA: See Section 3.1(m)(i).

Reciprocal Easement Agreement: That certain Reciprocal Easement Agreement and Declaration of Covenants, Conditions and Restrictions for Development and Operation of the North Cypress Medical Center Campus dated as of June 1, 2005, by and among NHLV, Holdings and Northern Healthcare Land Ventures-II, Ltd., as modified or amended from time to time.

Release: See Section 3.1(m)(iii).

Required Permits: Each building permit, environmental permit, utility permit, land use permit, wetland permit and any other permits, approvals or licenses issued by any Governmental authority which are required in connection with the Construction or operation of the Project.

SARA: See Section 3.1(m)(i).

Soil Report: A soil test report prepared by licensed engineer satisfactory to Lender to the satisfaction of Lender that the soil and subsurface conditions underlying the Project will support the Improvements.

State: The state in which the Land is located.

Subcontracts: Subcontracts for labor or materials to be furnished to the Project.

Sublease: See Recital E above.

Subordination Agreement: That certain Subordination Agreement dated of even date herewith by and among Lender, Borrower, NHLV, MPT Land Entity and Republic National Bank, to be recorded on or about the date hereof in the Real Estate Records of Harris County, Texas.

Tangible Net Worth: As determined in accordance with Generally Accepted Accounting Principles, the amount by which the value of Borrower's total assets exceeds the sum of Borrower's total liabilities, and less the sum of:

(a) the total book value of all assets of Borrower properly classified as intangible assets under Generally Accepted Accounting Principles, including such items as good will, the purchase price of acquired assets in excess of the fair market value thereof, trademarks, trade names, service marks, brand names, copyrights, patents and licenses, and rights with respect to the foregoing; plus

(b) all amounts representing any write-up in the book value of any assets of Borrower resulting from a revaluation thereof subsequent to the date of the most recent balance sheet of Borrower provided to Lender prior to the Loan Opening.

Tenant: The tenant under a Lease.

Tenant Work: Work that Borrower is obligated to perform pursuant to Leases for individual Tenants in their respective leased premises in the Improvements.

Title Insurer: First American Title Insurance Company, or such other title insurance company licensed in the State as may be approved in writing by Lender.

Title Policy: An ALTA Mortgagee's Loan Title Insurance Policy with extended coverage (or the equivalent available in the State) issued by the Title

Insurer insuring the lien of the Mortgage as a valid first, prior and paramount lien upon the Project and all appurtenant easements, and subject to no other exceptions other than the Permitted Exceptions and otherwise satisfying the requirements of Exhibit C attached hereto and made a part hereof.

Transfer: Any sale, transfer, lease (other than a Lease approved by Lender), conveyance, alienation, pledge, assignment, mortgage, encumbrance hypothecation or other disposition of (a) all or any portion of the Project or any portion of any other security for the Loan, (b) all or any portion of the Borrower's right, title and interest (legal or equitable) in and to the Project or any portion of any other security for the Loan, or (c) more than a twenty percent (20%) interest in Borrower or any entity which holds an interest in, or directly or indirectly controls, Borrower.

Unavoidable Delay: Any delay in the construction of the Project, caused by natural disaster, fire, earthquake, floods, explosion, extraordinary adverse weather conditions, inability to procure or a general shortage of labor, equipment, facilities, energy, materials or supplies in the open market, failure of transportation, strikes or lockouts for which Borrower has notified Lender in writing.

2.2 OTHER DEFINITIONAL PROVISIONS.

All terms defined in this Agreement shall have the same meanings when used in the Note, Mortgage, any other Loan Documents, or any certificate or other document made or delivered pursuant hereto. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement.

ARTICLE 3
BORROWER'S REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES.

To induce Lender to execute this Agreement and perform its obligations hereunder, Borrower hereby represents and warrants to Lender as follows:

(a) NHLV and Holdings have good and marketable fee simple title to the Land, subject only to the Permitted Exceptions.

(b) MPT Land Entity is the owner and holder of the entire interest of the lessee under the Ground Lease, subject to the rights of Borrower under the Sublease. Borrower is the owner and holder of the entire interest of the subtenant under the Sublease. As of the date hereof, the Ground Lease and the Sublease are in full force and effect, and Borrower has no knowledge of any default or event, which, with the passage of time or the giving of notice, or both, would constitute a default by Borrower under the Sublease, or to its knowledge, by MPT Land Entity under the Sublease, or by MPT Land Entity, NHLV or Holdings under the Ground Lease.

(c) No litigation or proceedings are pending, or to the best of Borrower's knowledge threatened, against Borrower, which could, if adversely determined, cause a Material Adverse Change with respect to Borrower or the Project. There are no Environmental Proceedings and Borrower has no knowledge of any threatened Environmental Proceedings or any facts or circumstances which may give rise to any future Environmental Proceedings.

(d) Borrower is a duly organized and validly existing limited partnership and has full power and authority to execute, deliver and perform all Loan Documents to which Borrower is a party, and such execution, delivery and performance have been duly authorized by all requisite action on the part of Borrower.

(e) No consent, approval or authorization of or declaration, registration or filing with any Governmental Authority or nongovernmental person or entity, including any creditor or partner of Borrower, is required in connection with the execution, delivery and performance of this Agreement or any of the Loan Documents other than the recordation of the Mortgage, Assignment of Leases and Rents and the filing of UCC-1 Financing Statements, except for such consents, approvals or authorizations of or declarations or filings with any

Governmental Authority or non-governmental person or entity where the failure to so obtain would not have an adverse effect on Borrower or which have been obtained as of any date on which this representation is made or remade.

(f) The execution, delivery and performance of this Agreement, the execution and payment of the Note and the granting of the Mortgage and other security interests under the other Loan Documents have not constituted and will not constitute, upon the giving of notice or lapse of time or both, a breach or default under any other agreement to which Borrower is a party or may be bound or affected, or a violation of any law or court order which may affect the Project, any part thereof, any interest therein, or the use thereof.

(g) There is no default under this Agreement or the other Loan Documents, nor any condition which, after notice or the passage of time or both, would constitute a default or an Event of Default under said documents.

(h) (i) No condemnation of any portion of the Project, (ii) no condemnation or relocation of any roadways abutting the Project, and (iii) no proceeding to deny access to the Project from any point or planned point of access to the Project, has commenced or, to the best of Borrower's knowledge, is contemplated by any Governmental Authority.

(i) The amounts set forth in the Budget present a full and complete itemization by category of all costs, expenses and fees which Borrower reasonably expects to pay or reasonably anticipates becoming obligated to pay to complete the Construction and operate the Project (until the Project achieves breakeven operations). Borrower is unaware of any other such costs, expenses or fees which are material and are not covered by the Budget. Each of the Budget and Construction Schedule is realistic and feasible, and accurate to date.

(j) Neither the construction of the Improvements nor the use of the Project when completed pursuant to the Plans and Specifications and the contemplated accessory uses will violate (i) any Laws (including healthcare, subdivision, zoning, building, environmental protection and wetland protection Laws), or (ii) any building permits, restrictions of record, or agreements affecting the Project or any part thereof. Neither the zoning authorizations, approvals or variances nor any other right to construct or to use the Project is to any extent dependent upon or related to any real estate other than the Land. All Governmental Approvals required for the Construction in accordance with the Plans and Specifications have been obtained or will be obtained prior to the Loan Opening, except for those approved by Lender, and all Laws relating to the Construction and operation of the Improvements have been complied with and all permits and licenses required for the operation of the Project which cannot be obtained until the Construction is completed can be obtained if the Improvements are completed in accordance with the Plans and Specifications. Borrower has furnished Lender with true and complete sets of the Plans and Specifications.

(k) The Project will have adequate water, gas and electrical supply, storm and sanitary sewerage facilities, other required public utilities, fire and police protection, and means of access between the Project and public highways; none of the foregoing will be foreseeably delayed or impeded by virtue of any requirements under any applicable Laws.

(l) No brokerage fees or commissions are payable by Borrower to any person in connection with this Agreement or the Loan to be disbursed hereunder.

(m) Borrower has obtained the Environmental Report and makes the following representations and warranties:

(i) To Borrower's Knowledge, neither Borrower, NHLV, Holdings nor any operator of the Project, or any operations thereon is in violation, or alleged violation, of any judgment, decree, code, order, law, rule of common law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising

under the Resource Conservation and Recovery Act ("RCRA"), the

Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state or local statute, regulation, ordinance, order or decree relating to the environment (hereinafter "Environmental Laws").

(ii) To Borrower's Knowledge, neither Borrower, NHLV nor Holdings has received notice from any third party including, without limitation, any Governmental Authority, (1) that it has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986); (2) that any Hazardous Material which it has generated, transported or disposed of has been found at any site at, on or under the Project for which a federal, state or local agency or other third party has conducted or has ordered that any of Borrower, NHLV or Holdings conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (3) that it is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding (in each case, contingent or otherwise) arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Materials.

(iii) (1) To Borrower's Knowledge, except as disclosed in the Environmental Report provided to Lender on or before the date hereof, (a) no portion of the Project has been used as a landfill or for dumping or for the handling, processing, storage or disposal of Hazardous Materials except in accordance with applicable Environmental Laws, and (b) no underground tank or other underground storage receptacle for Hazardous Materials is located on any portion of the Project that is not in compliance with applicable Environmental Laws; (2) in the course of any activities conducted by Borrower or, to Borrower's Knowledge, NHLV, Holdings or any operator of any of the Project, no Hazardous Materials have been generated or are being used on the Project except in the ordinary course of business and in accordance with applicable Environmental Laws; (3) to Borrower's Knowledge, there has been no past or present releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping (a "Release") or threatened Release of Hazardous Materials on, upon, into or from any of the Project, which Release would have a material adverse effect on the value of any of the Project or adjacent properties or the environment; (4) to Borrower's Knowledge, there have been no Releases on, upon, from or into any real property in the vicinity of the Project which, through soil or groundwater contamination, may have come to be located on, and which would have a material adverse effect on the value of, the Project; and (5) to Borrower's Knowledge, any Hazardous Materials that have been generated on the Project have been transported off-site only by carriers having an identification number issued by the EPA or approved by a state or local environmental regulatory authority having jurisdiction regarding the transportation of such substance and treated or disposed of only by treatment or disposal facilities maintaining valid permits as required under all applicable Environmental Laws,

which transporters and facilities have been and are, to Borrower's Knowledge, operating in compliance with such permits and applicable Environmental Laws.

(iv) Neither Borrower, NHLV, Holdings nor the Project is subject to any applicable Environmental Law requiring the performance of Hazardous Materials site assessments, or the removal or remediation of Hazardous Materials, or the giving of notice to any Governmental Authority or the recording or delivery to other Persons of an environmental disclosure document or statement by virtue of the transactions set forth herein and contemplated hereby, or as a condition to the recording of the Mortgage or to the effectiveness of any other transactions contemplated hereby.

(n) All financial statements and other information previously

furnished by Borrower to Lender in connection with the Loan are true, complete and correct and fairly present the financial conditions of the subjects thereof as of the respective dates thereof and do not fail to state any material fact necessary to make such statements or information not misleading, and no Material Adverse Change with respect to Borrower has occurred since the respective dates of such statements and information. Borrower has no material liability, contingent or otherwise, not disclosed in such financial statements.

(o) There are no unpaid or outstanding real estate or other taxes or assessments on or against the Project or any part thereof. The Project is taxed separately without regard to any other property and for all purposes the Project may be mortgaged, conveyed and otherwise dealt with as an independent parcel.

(p) Except for the Ground Lease, the Sublease and any Leases, which have been provided to and approved by Lender in writing, Borrower, NHLV, Holdings and their agents have not entered into any Leases, subleases or other arrangements for occupancy of space within the Project. True, correct and complete copies of all Leases, as amended, have been delivered to Lender. All Leases are in full force and effect. Neither Borrower nor any Tenant is in default under any Lease and Borrower has disclosed to Lender in writing any material default by the tenant under any Lease. Except for the Leases, there are no material agreements pertaining to or benefiting the Project or the operation or maintenance thereof (including, without limitation, purchase options) other than as described in this Agreement or otherwise disclosed in writing to Lender by Borrower, and no Person has any right or option to acquire the Project or any portion thereof or interest therein.

(q) When the Construction is completed in accordance with the Plans and Specifications, no building or other improvement will encroach upon any property line, building line, setback line, side yard line or any recorded or visible easement (or other easement of which Borrower is aware or has reason to believe may exist) with respect to the Project.

(r) The Loan is not being made for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation G, T, U or X issued by the Board of Governors of the Federal Reserve System, and Borrower agrees to execute all instruments necessary to comply with all the requirements of Regulation U of the Federal Reserve System.

(s) Borrower is not a party in interest to any plan defined or regulated under ERISA, and the assets of Borrower are not "plan assets" of any employee benefit plan covered by ERISA or Section 4975 of the Internal Revenue Code.

(t) Borrower is not a "foreign person" within the meaning of Section 1445 or 7701 of the Internal Revenue Code.

(u) Borrower does not use any trade name other than its actual name set forth herein. The principal place of business of Borrower is as stated in Article 22.

(v) Borrower's place of formation or organization is the State of Texas.

(w) All of the representations and warranties made by or on behalf of Borrower or any other party in this Agreement and the other Loan Documents or any document or instrument delivered to Lender pursuant to or in connection with any of such Loan Documents are true and correct in all material respects, and Borrower has not failed to disclose such information as is necessary to make such representations and warranties not misleading.

(x) As of the Loan Opening Date and after giving effect to the transactions contemplated by this Agreement and the other Loan Documents, including the Loan to be made hereunder, Borrower is not insolvent on a balance sheet basis such that the sum of Borrower's liabilities exceeds the sum of Borrower's assets, Borrower is able to pay its debts as they become due, and Borrower has sufficient capital to carry on its business.

(y) None of the officers, trustees, directors, partners or employees of Borrower is presently a party to any transaction with Borrower

(other than for services as employees, officers, directors, trustees and partners), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, trustee, director, partner or such employee or, to Borrower's knowledge, any corporation, partnership, trust or other entity in which any officer, trustee, director, partner or any such employee has a substantial interest or is an officer, director, trustee or partner.

(z) North Cypress Medical Center Operating Company GP, L.L.C., a Texas limited liability company, is the sole general partner of Borrower.

(aa) The General Contract is in full force and effect and both Borrower and the General Contractor are in compliance with their respective obligations under the General Contract. The work to be performed by the General Contractor under the General Contract is the work called for by the Plans and Specifications, and all work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the General Contract. The Architect's contract is in full force and effect and both Borrower and the Architect are in compliance with their respective obligations under the Architect's contract. The Program Development Agreement is in full force and effect and both Borrower and HADC are in compliance with their respective obligations under the Program Development Agreement.

3.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

Borrower agrees that all of the representations and warranties set forth in Section 3.1 and elsewhere in this Agreement are true as of the date hereof, will be true at the Loan Opening and, except for matters which have been disclosed by Borrower and approved by Lender in writing, at all times thereafter. Each request for a disbursement under the Loan Documents shall constitute a reaffirmation of such representations and warranties, as deemed modified in accordance with the disclosures made and approved as aforesaid, as of the date of such request. It shall be a condition precedent to the Loan Opening and each subsequent disbursement that each of said representations and warranties is true and correct as of the date of such requested disbursement. Each disbursement of Loan proceeds shall be deemed to be a reaffirmation by Borrower that each of the representations and warranties is true and correct as of the date of such disbursement. In addition, at Lender's request, Borrower shall reaffirm such representations and warranties in writing prior to each disbursement hereunder.

ARTICLE 4
LOAN AND LOAN DOCUMENTS

4.1 AGREEMENT TO BORROW AND LEND; LENDER'S OBLIGATION TO DISBURSE.

Subject to the terms, provisions and conditions of this Agreement and the other Loan Documents, Borrower agrees to borrow from Lender and Lender agrees to lend to Borrower the Loan, for the purposes and subject to all of the terms, provisions and conditions contained in this Agreement. If Lender consists of more than one party, the obligations of each such party with respect to the amount it has agreed to loan to Borrower shall be several (and not joint and several) and shall be limited to its proportionate share of the Loan and of each advance.

(a) The principal amount of the Loan shall not exceed the lesser of (i) the fair market value of the Project as set out in the Appraisal of the Project, or (ii) the total replacement cost of the Project as set out in the Budget approved by Lender hereunder. Borrower shall be responsible for any costs necessary to complete Construction in excess of the principal amount of the Loan.

(b) Lender agrees, upon Borrower's compliance with and satisfaction of all conditions precedent to the Loan Opening and provided the Loan is In Balance, no Material Adverse Change has occurred with respect to Borrower, any Tenant, or the Project and no default or Event of Default has occurred and is continuing hereunder, to open the Loan to fund the costs incurred by Borrower in connection with the development of the Project and the construction of the Improvements, to the extent provided for in the Budget; provided, however, and notwithstanding any other provision of this Agreement or any other Loan Document

to the contrary, that Lender shall not advance any of the proceeds of the Loan to fund the acquisition or installation of any personal property or equipment for the Project.

(c) After the Opening of the Loan, Borrower shall be entitled to receive further successive disbursements of the proceeds of the Loan in accordance with Articles 9, 12 and 13 within ten (10) Business Days after compliance with all conditions precedent thereto, provided

that (i) the Loan remains In Balance; (ii) Borrower has complied with all conditions precedent to disbursement from time to time including the requirements of Section 3.2 and Articles 8, 9, 12 and 13; (iii) no Material Adverse Change has occurred with respect to Borrower, any Tenant, or the Project and (iv) no Event of Default and no material default exists hereunder or under any other Loan Document or Lease.

(d) To the extent that Lender may have acquiesced in noncompliance with any requirements precedent to the Opening of the Loan or precedent to any subsequent disbursement of Loan proceeds, such acquiescence shall not constitute a waiver by Lender, and Lender may at any time after such acquiescence require Borrower to comply with all such requirements.

4.2 LOAN DOCUMENTS.

Borrower agrees that it will, on or before the Loan Opening Date, execute and deliver to Lender the following documents in form and substance acceptable to Lender:

(a) The Note.

(b) The Mortgage.

(c) The Assignment of Rents.

(d) The Environmental Indemnity.

(e) A collateral assignment of construction documents, including, without limitation, the General Contract, The Program Development Agreement, all architecture and engineering contracts, Plans and Specifications, permits, licenses, approvals and development rights, together with consents to the assignment and continuation agreements from the General Contractor, HADC, the Architect, the engineer and other parties reasonably specified by Lender.

(f) A collateral assignment of the Purchase Agreement.

(g) A collateral assignment of any management agreement with respect to the Improvements, together with the consent and subordination of the manager identified therein.

(h) Such UCC financing statements as Lender determines are advisable or necessary to perfect or notify third parties of the security interests intended to be created by the Loan Documents.

(i) The Subordination Agreement.

(j) Such other documents, instruments or certificates as Lender and its counsel may reasonably require, including such documents as Lender in its sole discretion deems necessary or appropriate to effectuate the terms and conditions of this Agreement and the Loan Documents, and to comply with the laws of the State.

4.3 TERM OF THE LOAN.

All principal, interest and other sums due under the Loan Documents shall be due and payable in full on the Maturity Date; provided, however, that if the Completion Date has not occurred by the Maturity Date solely as the result of Unavoidable Delay, and no Default or Event of Default is occurring or

has occurred under this Agreement or the other Loan Documents and no event has occurred which, with the giving of notice or lapse of time, or both, could become an Event of Default, Lender shall, upon written request of Borrower, extend the Maturity Date through the Completion Date, as extended for Unavoidable Delay in accordance with Section 15.2.

4.4 PREPAYMENTS.

Borrower shall have the right to make prepayments of the Loan, in whole or in part, without prepayment penalty, upon not less than seven (7) days' prior written notice to Lender. No prepayment of all or part of the Loan shall be permitted unless same is made together with the payment of all interest accrued on the Loan through the date of prepayment and an amount equal to all reasonable attorneys' fees and disbursements incurred by Lender as a result of the prepayment.

4.5 REQUIRED PRINCIPAL PAYMENTS.

All principal shall be paid on the Maturity Date.

ARTICLE 5
INTEREST

5.1 INTEREST RATE.

(a) The Loan will bear interest at the Applicable Rate, unless the Default Rate is applicable. Borrower shall pay interest in arrears on the first day of every calendar month in the amount of all interest accrued and unpaid.

(b) Interest at the Applicable Rate (or Default Rate) shall be calculated for the actual number of days elapsed on the basis of a 360-day year, including the first date of the applicable period to, but not including, the date of repayment.

5.2 LIMITATION ON INTEREST.

Notwithstanding anything in this Agreement to the contrary, all agreements between Borrower and the Lender, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no circumstance, whether by reason of acceleration of the maturity of any of the Obligations or otherwise, shall the interest contracted for, charged or received by the Lender exceed the maximum amount permissible under applicable Law. If, from any circumstance whatsoever, interest would otherwise be payable to the Lender in excess of the maximum lawful amount, the interest payable to the Lender shall be reduced to the maximum amount permitted under applicable Law; and if from any circumstance the Lender shall ever

receive anything of value deemed interest by applicable Law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal balance of the Obligations and to the payment of interest or, if such excessive interest exceeds the unpaid balance of principal of the Obligations, such excess shall be refunded to the Borrower. All interest paid or agreed to be paid to Lender shall, to the extent permitted by applicable Law, be amortized, prorated, allocated and spread throughout the full period until payment in full of the principal of the Obligations (including the period of any renewal or extension thereof) so that the interest thereon for such full period shall not exceed the maximum amount permitted by applicable Law. This section shall control all agreements between Borrower and Lender.

ARTICLE 6
COSTS OF MAINTAINING LOAN

6.1 BORROWER WITHHOLDING.

If by reason of a change in any applicable Laws occurring after the date hereof, Borrower is required by Law to make any deduction or withholding in respect of any taxes (other than taxes imposed on or measured by the net income of Lender or any franchise tax imposed on Lender), duties or other charges from any payment due under the Note to the maximum extent permitted by law, the sum due from Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding,

Lender receives and retains a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made.

ARTICLE 7
LOAN EXPENSE AND ADVANCES

7.1 LOAN AND ADMINISTRATION EXPENSES.

Borrower unconditionally agrees to pay all expenses of the Loan, including all amounts payable pursuant to Sections 7.2, 7.3 and 7.4 and any and all other fees owing to Lender or Lender pursuant to the Loan Documents, and also including, without limiting the generality of the foregoing, all recording, filing and registration fees and charges, mortgage or documentary taxes, all insurance premiums, title insurance premiums and other charges of the Title Insurer, printing and photocopying expenses, survey fees and charges, cost of certified copies of instruments, cost of premiums on surety company bonds and the Title Policy, charges of the Title Insurer or other escrowee for administering disbursements, all fees and disbursements of Lender's Consultant and Lender's Environmental Consultant, all appraisal fees, insurance consultant's fees, travel related expenses and all costs and expenses incurred by Lender in connection with the determination of whether or not Borrower has performed the obligations undertaken by Borrower hereunder or has satisfied any conditions precedent to the obligations of Lender hereunder and, if any default or Event of Default occurs hereunder or under any of the Loan Documents or if the Loan or Note or any portion thereof is not paid in full when and as due, all costs and expenses of Lender (including, without limitation, court costs and reasonable counsel's fees and disbursements and fees and costs of paralegals) incurred in attempting to

enforce payment of the Loan and expenses of Lender incurred (including court costs and reasonable counsel's fees and disbursements and fees and costs of paralegals) in attempting to realize, while a default or Event of Default exists, on any security or incurred in connection with the sale or disposition (or preparation for sale or disposition) of any security for the Loan.

7.2 COMMITMENT FEE.

Borrower shall pay to Lender on or before the date of this Agreement a commitment fee in the amount of $640,280.00. Lender acknowledges receipt of $100,000.00 of such fee and that only the balance of $540,280.00 shall be due on the Loan Opening Date. Such fee is fully earned and non-refundable.

7.3 INSPECTION FEE.

Borrower shall pay to Lender on the Loan Opening Date a fee of $75,000.00 to cover the costs of Lender's inspection of the Construction. Such fee is fully earned and non-refundable.

7.4 LENDER'S ATTORNEYS' FEES AND DISBURSEMENTS.

Borrower agrees to pay all reasonable Lender's attorneys' fees and disbursements incurred in connection with this Loan, including (i) the preparation of this Agreement and the other Loan Documents and the preparation of the closing binders, (ii) the disbursement and administration of the Loan and (iii) the enforcement of the terms of this Agreement and the other Loan Documents.

7.5 TIME OF PAYMENT OF FEES AND EXPENSES.

Borrower shall pay all expenses and fees incurred by Lender of the Loan Opening on the Loan Opening Date (unless sooner required herein). At the time of the Opening of the Loan, Lender may pay from the proceeds of the initial disbursement of the Loan (to the extent provided for in the Budget) all Loan expenses. Lender may require the payment of Lender's outstanding fees and expenses as a condition to any disbursement of the Loan. Lender is hereby authorized, without any specific request or direction by Borrower, to make disbursements from time to time in payment of or to reimburse Lender for all Loan expenses and fees (whether or not, at such time, there may be any undisbursed amounts of the Loan allocated in the Budget for the same).

7.6 EXPENSES AND ADVANCES SECURED BY LOAN DOCUMENTS.

Any and all advances or payments made by Lender under this Article 7 from time to time, and any amounts expended by Lender pursuant to Section 20.1(a), shall, as and when advanced or incurred, constitute additional indebtedness evidenced by the Note and secured by the Mortgage and the other Loan Documents.

7.7 RIGHT OF LENDER TO MAKE ADVANCES TO CURE BORROWER'S DEFAULTS.

In the event that Borrower fails to perform any of Borrower's covenants, agreements or obligations contained in this Agreement or any of the other Loan Documents (including the

obligation to pay accrued interest upon the Loan when due) (after the expiration of applicable grace periods, except in the event of an emergency or other exigent circumstances), Lender may (but shall not be required to) perform any of such covenants, agreements and obligations, and any amounts expended by Lender in so doing shall constitute additional indebtedness evidenced by the Note and secured by the Mortgage and the other Loan Documents and shall bear interest at a rate per annum equal to the Applicable Rate (or Default Rate following an Event of Default).

ARTICLE 8
NON-CONSTRUCTION REQUIREMENTS PRECEDENT TO THE OPENING OF THE LOAN

8.1 NON-CONSTRUCTION CONDITIONS PRECEDENT.

Borrower agrees that Lender's obligation to open the Loan and thereafter to make further disbursements of proceeds thereof is conditioned upon Borrower's delivery, performance and satisfaction of the following conditions precedent in form and substance satisfactory to Lender in its reasonable discretion:

(a) Equity: Borrower shall have provided evidence reasonably satisfactory to Lender that Borrower's Tangible Net Worth is not less than those amounts required under Section 16.2(a) of that certain Lease Agreement (Post-Construction) dated of even date herewith between MPT Land Entity and Borrower (the "Post-Construction Lease").

(b) Loan Documents: Borrower shall have delivered to Lender fully executed counterparts of this Agreement and the other Loan Documents.

(c) Ground Lease; Sublease: Borrower shall have delivered to Lender copies of the fully executed Ground Lease and Sublease and estoppel agreements from Holdings and NHLV with respect thereto;

(d) Purchase Agreement; Reciprocal Easement Agreement: Borrower shall have furnished to Lender the fully executed Purchase Agreement and Reciprocal Easement Agreement (which Reciprocal Easement Agreement shall be promptly recorded in the Real Estate Records of Harris County, Texas);

(e) Title Policy and Other Documents: Borrower shall have furnished to Lender the Title Policy meeting the requirements set out in Exhibit C attached hereto, together with legible copies of all title exception documents cited in the Title Policy and all other legal documents affecting the Project or the use thereof;

(f) Survey: Borrower shall have furnished to Lender a ALTA/ACSM "Class A" Land Title Survey of the Project dated no earlier than ninety (90) days prior to the Loan Opening and including the legal description of the Land;

(g) Insurance Policies: Borrower shall have furnished to Lender not less than ten (10) days prior to the date of this Agreement policies or binders evidencing that insurance coverages are in effect with respect to the Project

and Borrower, in accordance with the Insurance Requirements attached hereto as Exhibit D, for which the premiums have been fully prepaid with endorsements satisfactory to Lender.

(h) Litigation: No litigation or proceedings shall be pending or threatened which could or might cause a Material Adverse Change with respect to Borrower, any Tenant, or the Project;

(i) Utilities: Borrower shall have furnished to Lender (by way of utility letters or otherwise) evidence establishing to the satisfaction of Lender that the Project when constructed will have adequate water supply, storm and sanitary sewerage facilities, telephone, gas, electricity, fire and police protection, means of ingress and egress to and from the Project and public highways and any other required public utilities and that the Project is benefited by insured easements as may be required for any of the foregoing;

(j) Attorney Opinions: Borrower shall have furnished to Lender an opinion from counsel for Borrower covering due authorization, execution and delivery and enforceability of the Loan Documents and also containing such other legal opinions as Lender shall require;

(k) Appraisal: Lender shall have obtained an Appraisal in an amount at least equal to the Loan Amount (based upon the Project's stabilized value upon completion of construction) which Appraisal is satisfactory to Lender in all respects;

(l) Searches: Borrower shall have furnished to Lender current bankruptcy, federal tax lien and judgment searches and searches of all Uniform Commercial Code financing statements filed in each place UCC Financing Statements are to be filed hereunder, demonstrating the absence of adverse claims;

(m) Financial Statements: Borrower shall have furnished to Lender current annual financial statements of Borrower, the General Contractor and such other persons or entities connected with the Loan as Lender may request, each in form and substance and certified by such individual as acceptable to Lender. Borrower shall provide such other additional financial information Lender reasonably requires;

(n) Pro Forma Projection: Borrower shall have furnished to Lender a Pro Forma Projection covering the succeeding five year period;

(o) Management Agreements: Borrower shall have delivered to Lender executed copies of any leasing, management and development agreements entered into by Borrower in connection with the Construction and/or the operation of the Project;

(p) Flood Hazard: Lender has received evidence that the Project is not located in an area designated by the Secretary of Housing and Urban Development as a special flood hazard area, or flood hazard insurance acceptable to Lender in its sole discretion;

(q) Organizational Documents: Borrower shall have furnished to Lender proof satisfactory to Lender of authority, formation, organization and good standing in the State of its incorporation or formation and, if applicable, qualification as a foreign entity in good standing in the state of its incorporation or formation, of all corporate, partnership, trust and limited liability company entities (including Borrower) executing any Loan Documents, whether in their own name or on behalf of another entity. Borrower shall also provide certified resolutions in form and content satisfactory to Lender, authorizing execution, delivery and performance of the Loan Documents by Borrower, and such other documentation as Lender may reasonably require to evidence the authority of the persons executing the Loan Documents;

(r) No Defaults: There shall be no uncured Event of Default by Borrower hereunder nor any event, circumstance or condition which with notice or passage of time or both would be an event of default;

(s) Easements: Borrower shall have furnished written agreements from the holders of all easements or rights of way whose easements or rights of way

will be encroached upon by the Construction confirming that said holders consent to the moving of the easement or right of way to a location where it will not be encroached upon by the Construction; and

(t) Additional Documents: Borrower shall have furnished to Lender such other materials, documents, papers or requirements regarding the Project, Borrower and any Tenant as Lender shall reasonably request.

ARTICLE 9
CONSTRUCTION REQUIREMENTS PRECEDENT TO THE OPENING OF THE LOAN

9.1 REQUIRED CONSTRUCTION DOCUMENTS.

Borrower shall cause to be furnished to Lender the following, in form and substance satisfactory to Lender and Lender's Consultant in all respects, for Lender's approval in its reasonable discretion prior to the Opening of the Loan:

(a) Fully executed copies of the following, each satisfactory to Lender and Lender's Consultant in all respects: (i) a fixed or guaranteed maximum price contract with the General Contractor; (ii) copies of all Major Subcontracts; (iii) the Program Development Agreement; and (iv) all contracts with architects and engineers;

(b) A schedule of values, including a trade payment breakdown, setting forth a description of all contracts let by Borrower and/or the General Contractor for the design, engineering, construction and equipping of the Improvements;

(c) An initial sworn statement of the General Contractor, HADC, Architect and Lender's Consultant covering all work done and to be done, together with lien waivers covering all work and materials for which payments have been made by Borrower prior to the Loan Opening;

(d) Bonds in favor of Lender guaranteeing all of the obligations of General Contractor under the General Contract and the obligations of such Major Subcontractors as are designated by Lender;

(e) Copies of each of the Required Permits, except for those Required Permits, approvals or licenses for operation of the Project which cannot be issued until completion of Construction, in which event such Required Permits will be obtained by Borrower on a timely basis in accordance with all recorded maps and conditions, and applicable building, land use, zoning and environmental codes, statutes and regulations and will be delivered to Lender at the earliest possible date. In all events the Required Permits to be delivered prior to the Opening of the Loan shall include full building permits.

(f) Full and complete detailed Plans and Specifications for the Improvements in triplicate, prepared by the Architect;

(g) The Construction Schedule;

(h) The Soil Report;

(i) The Environmental Report, which shall, at a minimum, (i) demonstrate the absence of any existing or potential Hazardous Material contamination or violations of environmental Laws at the Project, except as acceptable to Lender in its sole and absolute discretion, (ii) include the results of all sampling or monitoring to confirm the extent of existing or potential Hazardous Material contamination at the Project, including the results of leak detection tests for each underground storage tank located at the Project, if any, (iii) describe response actions appropriate to remedy any existing or potential Hazardous Material contamination, and report the estimated cost of any such appropriate response, (iv) confirm that any prior removal of Hazardous Material or underground storage tanks from the Project was completed in accordance with applicable Laws, and (v) confirm whether or not the Land is located in a wetlands district;

(j) A report from Lender's Consultant, which contains an analysis of the Plans and Specifications, the Budget, the Construction Schedule, the General

Contract, the Program Development Agreement, all subcontracts then existing and the Soil Report. Such report shall be solely for the benefit of Lender and each Lender and contain (i) an analysis satisfactory to Lender demonstrating the adequacy of the Budget to complete the Project and (ii) a confirmation that the Construction Schedule is realistic. Lender's Consultant shall monitor construction of the Project and shall visit the Project at least one (1) time each month, and shall certify as to amounts of construction costs for all requested fundings;

(k) Certificates from each of the General Contractor, HADC, Architect and engineer in favor of Lender, consenting to the assignment of their respective contracts to Lender and certifying as to such other items as shall be requested by Lender;

(l) Written agreements from the holders of all easements or rights of way whose easements or rights of way will be encroached upon by the Construction confirming that said

holders consent to the moving of the easement or right of way to a location where it will not be encroached upon by the Construction;

(m) Certification from the Architect or the engineer as to the Plans and Specifications; and

(n) Such other papers, materials and documents as Lender may require with respect to the Construction.

ARTICLE 10
BUDGET AND CONTINGENCY FUND

10.1 BUDGET.

Disbursement of the Loan shall be governed by the Budget for the Project, in form and substance acceptable to Lender in Lender's reasonable discretion. The Budget shall specify all costs and expenses of every kind and nature whatever to be incurred by Borrower in connection with the Project. The Budget shall include, in addition to the Budget Line Items described in Section 10.2 below, the Contingency Fund described in Section 10.3 below, and amounts satisfactory to Lender for soft costs and other reserves acceptable to Lender. The initial Budget is attached hereto as Exhibit E and made a part hereof. Once the Budget is approved by Lender all changes to the Budget shall in all respects be subject to the prior written approval of Lender. Changes in the scope of construction work or to any construction related contract must be documented with a change order on the AIA Form G 701 or equivalent form

10.2 BUDGET LINE ITEMS.

The Budget shall include as line items ("Budget Line Items") to the extent determined to be applicable by Lender in its reasonable discretion, the cost of all labor, materials, equipment, fixtures and furnishings needed for the completion of the Construction, and all other costs, fees and expenses relating in any way whatsoever to the Construction of the Improvements, leasing commissions, tenant improvements and tenant allowances, operating deficits, real estate taxes, and all other sums due in connection with Construction and operation of the Project, the Loan, and this Agreement. Borrower agrees that all Loan proceeds disbursed by Lender shall be used only for the Budget Line Items for which such proceeds were disbursed.

Lender shall not be obligated to disburse any amount for any category of costs set forth as a Budget Line Item, which is greater than the amount set forth for such category in the applicable Budget Line Item. Borrower shall pay as they become due all amounts set forth in the Budget with respect to costs to be paid for by Borrower.

10.3 CONTINGENCY FUND.

The Budget shall contain a Budget Line Item designated for the Contingency Fund. Borrower may from time to time request that the Contingency Fund be reallocated to pay needed costs of the Project. Such requests shall be subject to Lender's written approval in its reasonable discretion.

Borrower agrees that the decision with respect to utilizing portions of the Contingency Fund in order to keep the Loan "In Balance" shall be made by Lender in its reasonable discretion, and that Lender may require Borrower to make a Deficiency Deposit even if funds remain in the Contingency Fund.

10.4 OPTIONAL METHOD FOR PAYMENT OF INTEREST.

For Borrower's benefit, the Budget includes a Budget Line Item for interest. Borrower hereby authorizes Lender from time to time, for the mutual convenience of Lender and Borrower, to disburse Loan proceeds to pay all the then accrued interest on the Note, regardless of whether Borrower shall have specifically requested a disbursement of such amount. Any such disbursement, if made, shall be added to the outstanding principal balance of the Note and shall, when disbursed, bear interest at the Applicable Rate. The authorization hereby granted, however, shall not obligate Lender to make disbursements of the Loan for interest payments (except upon Borrower's qualifying for and requesting disbursement of that portion of the proceeds of the Loan allocated for such purposes in the Budget) nor prevent Borrower from paying accrued interest from its own funds.

ARTICLE 11
SUFFICIENCY OF LOAN

11.1 LOAN IN BALANCE.

Anything contained in this Agreement to the contrary notwithstanding, it is expressly understood and agreed that, in Lender's reasonable discretion, the Loan shall at all times be "In Balance", on a Budget line item and an aggregate basis. The Loan shall be deemed to be "In Balance" in the aggregate only when the total of the undisbursed portion of the Loan less the Contingency Fund (subject to Borrower's reallocation rights under Section 10.3), equals or exceeds the aggregate of (a) the costs required to complete the construction of the Project in accordance with the Plans and Specifications and the Budget, including, without limitation, all Tenant Work required to be performed by Borrower or tenant allowances to be paid for by Borrower under Leases or reasonably anticipated for unleased space; (b) the amounts to be paid as retainages to persons who have supplied labor or materials to the Project; (c) the amount required to pay interest on the Loan through the Maturity Date; and (d) all other hard and soft costs not yet paid for in connection with the Project, as such costs and amounts described in clauses (a), (b), (c) and (d) may be estimated and/or approved in writing by Lender from time to time. Borrower agrees that if for any reason, in Lender's reasonable discretion, the amount of such undistributed Loan proceeds shall at any time be or become insufficient for such purpose regardless of how such condition may be caused, Borrower will, within ten (10) days after written request by Lender, deposit the deficiency with Lender ("Deficiency Deposit"). The Deficiency Deposit shall first be exhausted before any further disbursement of Loan proceeds shall be made. Lender shall not be obligated to make any Loan disbursements if and for as long as the Loan is not "In Balance".

ARTICLE 12
CONSTRUCTION PAYOUT REQUIREMENTS

12.1 APPLICABILITY OF SECTIONS.

The provisions contained in this Article 12 shall apply to the Opening of the Loan and to all disbursements of proceeds during Construction.

12.2 MONTHLY PAYOUTS.

After the Opening of the Loan, further disbursements shall be made during Construction from time to time as the Construction progresses, but no more frequently than once in each calendar month. At Lender's option, disbursements may be made by Lender into an escrow and subsequently disbursed to Borrower by the Title Insurer. If such option is exercised, those Loan proceeds shall be deemed to be disbursed to Borrower from the date of deposit into that escrow and interest shall accrue on those proceeds from that date. All

conditions precedent to the closing set forth in Articles 8 and 9 above and any prior advance under this Article 12 shall continue to be satisfied as the drawdown date of such subsequent advance. Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the drawdown date of such advance, and on the drawdown date of such advance there shall exist no Default or Event of Default.

12.3 PRIOR CONDITIONS SATISFIED.

All conditions precedent to the closing set forth in Articles 8 and 9 above and any prior advance under this Article 12 shall continue to be satisfied as of the drawdown date of such subsequent advance. Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the drawdown date of such advance, and on the drawdown date of such advance there shall exist no Default or Event of Default.

12.4 DOCUMENTS TO BE FURNISHED FOR EACH DISBURSEMENT.

As a condition precedent to each disbursement of the Loan proceeds (including the initial disbursement at the Opening of the Loan), Borrower shall furnish or cause to be furnished to Lender the following documents covering each disbursement, in form and substance satisfactory to Lender:

(a) A completed Borrower's Certificate in the form of Exhibit F attached hereto and made a part hereof and a completed Soft and Hard Cost Requisition Form in the form of Exhibit G attached hereto and made a part hereof, each executed by the Authorized Representative;

(b) A completed standard AIA Form G702 and Form G703 signed by the General Contractor, HADC and the Architect, together with General Contractor's sworn statements and unconditional waivers of lien, and all subcontractors', material suppliers' and laborers'

conditional waivers of lien, covering all work, to be paid with the proceeds of the prior draw requests, together with such invoices, contracts or other supporting data as Lender may require to evidence that all costs for which disbursement is sought have been incurred;

(c) An endorsement to the Title Policy issued to Lender covering the date of disbursement and showing the Mortgage as a first, prior and paramount lien on the Project subject only to the Permitted Exceptions and real estate taxes that have accrued but are not yet due and payable and particularly that nothing has intervened to affect the validity or priority of the Mortgage;

(d) Copies of any executed Change Orders on standard AIA G701 form, which have not been previously furnished to Lender;

(e) Copies of all construction contracts (including subcontracts) which have been executed since the last disbursement, together with any Bonds obtained or required to be obtained with respect thereto;

(f) All Required Permits;

(g) Satisfactory evidence that all Government Approvals have been obtained for development of the Project; and

(h) Such other instruments, documents and information as Lender or the Title Insurer may reasonably request.

Disbursements shall be made approximately ten (10) days after receipt of all information required by Lender to approve the requested disbursements.

12.5 RETAINAGES.

At the time of each disbursement of Loan proceeds, ten percent (10%) of the total amount then due the General Contractor and the various contractors, subcontractors and material suppliers for costs of the Construction shall be withheld from the amount disbursed. The retained Loan amounts for the Construction costs will be disbursed only at the time of the final disbursement of Loan proceeds under Article 13 below; provided, however, upon the

satisfactory completion of one hundred percent (100%) of the work with respect to any trade (including any trade performed by the General Contractor) or the delivery of all materials pursuant to a purchase order in accordance with the Plans and Specifications as certified by the Architect and the Lender's Consultant, Lender may decide on a case by case basis (but shall not be obligated) to permit retainages with respect to such trade or order, as the case may be, to be disbursed to Borrower upon the Lender's Consultant's approval of all work and materials and Lender's receipt of a final waiver of lien with respect to such completed work or delivered materials.

12.6 DISBURSEMENTS FOR MATERIALS STORED ON-SITE.

Any requests for disbursements which in whole or in part relate to materials, which Borrower owns and which are not incorporated into the Improvements as of the date of the

request for disbursement, but are to be temporarily stored at the Project, must be accompanied by evidence satisfactory to Lender that (i) such stored materials are included within the coverages of insurance policies carried by Borrower, (ii) the ownership of such materials is vested in Borrower free of any liens and claims of third parties, (iii) such materials are properly insured and protected against theft or damage, (iv) the materials used in the Construction are not commodity items but are uniquely fabricated for the Construction, (v) the Lender's Consultant has viewed and inspected the stored materials, and (vi) in the opinion of the Lender's Consultant, the stored materials are physically secured and can be incorporated into the Project within forty five (45) days from the date of the request. Lender may require separate Uniform Commercial Code financing statements to cover any such stored materials.

12.7 DISBURSEMENTS FOR OFFSITE MATERIALS.

Lender may in its sole discretion, but shall not be obligated to, make disbursements for materials stored off-site, in which event all of the requirements of Section 12.5 shall be applicable to such disbursement as well as any other requirements which Lender may, in its sole discretion, determine are appropriate under the circumstances.

12.8 DISBURSEMENTS FOR TENANT WORK AND ALLOWANCES.

Lender shall not be obligated to make any disbursements for tenant allowances or Tenant Work unless the applicable Tenant has accepted the premises demised by its Lease, is in occupancy and paying rent, all opening and co-tenancy requirements in its Lease are then satisfied, and all required certificates of occupancy or other permits have been issued with respect to such demised premises. These requirements shall apply notwithstanding any contrary requirements of any Lease. Lender may in its sole discretion agree to make interim disbursements for Tenant Work or tenant allowances for credit tenants whose financial condition and Lease terms are satisfactory to Lender.

(a) The first request for disbursement for Tenant Work in connection with a specific leased space in the Project shall be accompanied by the following, all of which shall be subject to the approval of Lender:

(i) copies of all contracts, if not previously delivered to Lender, for the performance of such Tenant Work;

(ii) a cost breakdown for each trade performing Tenant Work in such leased space, and an estimated commencement and completion date;

(iii) an estimate of all direct costs of the Tenant Work to be performed in such leased space which has not been contracted for or made subject to a work order or order to proceed;

(iv) plans and specifications for the leased space, together with a certificate from an architect acceptable to Lender that such plans and specifications comply with all Laws affecting the Project and the lease covering such leased space; and

(v) a fully executed Lease approved by Lender covering such leased space.

ARTICLE 13
FINAL DISBURSEMENT FOR CONSTRUCTION

13.1 FINAL DISBURSEMENT FOR CONSTRUCTION.

Lender will advance to Borrower the final disbursement for the cost of the Construction (including retainages) when the following conditions have been complied with, provided that all other conditions in this Agreement for disbursements have been complied with:

(a) The Improvements have been fully completed and equipped in accordance with the Plans and Specifications free and clear of mechanics' liens and security interests and are ready for occupancy;

(b) Borrower shall have furnished to Lender "all risks" casualty insurance in form and amount and with companies satisfactory to Lender in accordance with the requirements contained herein;

(c) Borrower shall have furnished to Lender copies of all licenses and permits required by any Governmental Authority having jurisdiction for the occupancy of the Improvements and the operation thereof, including a certificate of occupancy from the municipality in which the Project is located, or a letter from the appropriate Governmental Authority that no such certificate is issued;

(d) All Tenants shall have executed acknowledgments of acceptance of their respective premises in form and substance acceptable to Lender;

(e) Borrower shall have furnished a plat of survey covering the completed Improvements in compliance with Section 8.1(f);

(f) All fixtures, furnishings, furniture, equipment and other property required for the operation of the Project shall have been installed free and clear of all liens and security interests, except in favor of Lender;

(g) Borrower shall have furnished to Lender copies of all final waivers of lien and sworn statements from contractors, subcontractors and material suppliers and an affidavit from the General Contractor in accordance with the mechanic's lien law of the State or as otherwise established by Lender;

(h) Borrower shall have furnished to Lender a certificate from the Architect or other evidence satisfactory to Lender dated at or about the Completion Date stating that (i) the Improvements have been completed in accordance with the Plans and Specifications, and (ii) the Improvements as so completed comply with all applicable Laws;

(i) Lender shall have received a certificate from the Lender's Consultant for the sole benefit of Lender that the Improvements have been satisfactorily completed in accordance with the Plans and Specifications; and

(j) Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the drawdown date of the final disbursement, and on the drawdown date of the final disbursement, there shall exist no Default or Event of Default.

If Borrower fails to comply with and satisfy any of the final disbursement conditions contained in this Section 13.1 within sixty (60) days after the Completion Date, such failure shall constitute an Event of Default hereunder.

ARTICLE 14
RESERVED

ARTICLE 15
OTHER COVENANTS

15.1 OPENING OF LOAN ON OR PRIOR TO LOAN OPENING DATE.

All conditions precedent to the Opening of the Loan shall be complied with on or prior to the Loan Opening Date. If such conditions are not complied with as of the Loan Opening Date, Lender may terminate Lender's obligation to fund the Loan by written notice to Borrower.

15.2 CONSTRUCTION OF IMPROVEMENTS.

The Improvements shall be constructed and fully equipped in a good and workmanlike manner with materials of high quality, strictly in accordance with all applicable Laws and the Plans and Specifications (or in accordance with any changes therein that may be approved in writing by Lender or as to which Lender's approval is not required), and such construction and equipping will be commenced on or before the Construction Commencement Date and prosecuted with due diligence and continuity in accordance with the Construction Schedule and fully completed not later than the Completion Date. The Completion Date shall be extended in writing by Lender by the number of days resulting from any Unavoidable Delay in the construction of the Project, (but under no circumstances shall Lender be obligated to extend the Completion Date beyond sixty (60) days immediately following the date of the issuance of a final certificate of occupancy for the Improvements by the appropriate Governmental Authority), provided that Lender shall not be obligated to grant any such extension unless (i) Borrower gives notice of such delay to Lender within ten (10) days of learning of the event resulting in such delay, (ii) after giving effect to the consequences of such delay, the Loan shall remain "In Balance" and (iii) such delay is permitted under each of the Leases, or Borrower obtains a written extension from each Tenant whose Lease does not permit such delay.

15.3 CHANGES IN PLANS AND SPECIFICATIONS.

No changes will be made in the Plans and Specifications without the prior written approval of Lender; provided, however, that Borrower may make changes to the Plans and Specifications if (i) Borrower notifies Lender in writing of such change within seven (7) days thereafter; (ii) Borrower obtains the approval of all parties whose approval is required, including any Tenants under Leases, sureties, and any Governmental Authority to the extent approval from such parties is required; (iii) the structural integrity of the Improvements is not impaired; (iv) no material change in architectural appearance is effected; (v) the performance of the mechanical, electrical, and life safety systems of the Improvements is not affected; and (vi) the cost of or reduction resulting from any one such change does not exceed $50,000 or when added to other changes not requiring Lender's approval, the resulting aggregate cost or reduction does not exceed $500,000.

15.4 INSPECTION BY LENDER.

Borrower will cooperate with Lender in arranging for inspections by representatives of Lender of the progress of the Construction from time to time including an examination of (i) the Improvements, (ii) all materials to be used in the Construction, (iii) all plans and shop drawings which are or may be kept at the construction site, (iv) any contracts, bills of sale, statements, receipts or vouchers in connection with the Improvements, (v) all work done, labor performed, materials furnished in and about the Improvements, (vi) all books, contracts and records with respect to the Improvements, and (vii) any other documents relating to the Improvements or the Construction. Borrower shall cooperate with Lender's Consultant to enable him to perform his functions hereunder and will promptly comply with Lender's requirements and remove any dissatisfaction regarding the Construction of the Improvements or the progress thereof.

15.5 MECHANICS' LIENS AND CONTEST THEREOF.

Borrower will not suffer or permit any mechanics' lien claims to be filed or otherwise asserted against the Project or any funds due to the General Contractor, and will promptly discharge the same in case of the filing of any claims for lien or proceedings for the enforcement thereof, provided, however, that Borrower shall have the right to contest in good faith and with reasonable

diligence the validity of any such lien or claim provided that Borrower posts a statutory lien bond which removes such lien from title to the Project within twenty (20) days of written notice by Lender to Borrower of the existence of the lien and Borrower has satisfied all of the requirements under the Sublease to the contesting of liens. Lender will not be required to make any further disbursements of the proceeds of the Loan until any mechanics' lien claims have been removed and Lender may, at its option, restrict disbursements to reserve sufficient sums to pay 150% of the lien.

15.6 SETTLEMENT OF MECHANICS' LIEN CLAIMS.

If Borrower shall fail promptly either (i) to discharge any such lien, or (ii) post a statutory lien bond in the manner provided in Section 15.5 Lender may, at its election (but shall not be required to), procure the release and discharge of any such claim and any judgment or decree thereon and, further, may in its sole discretion effect any settlement or compromise of the same, or may furnish such security or indemnity to the Title Insurer, and any amounts so expended by

Lender, including premiums paid or security furnished in connection with the issuance of any surety company bonds, shall be deemed to constitute disbursement of the proceeds of the Loan hereunder. In settling, compromising or discharging any claims for lien, Lender shall not be required to inquire into the validity or amount of any such claim.

15.7 RENEWAL OF INSURANCE.

Borrower shall timely pay all premiums on all insurance policies required hereunder, and as and when additional insurance is required, from time to time, during the progress of Construction, and as and when any policies of insurance may expire, furnish to Lender, premiums prepaid, additional and renewal insurance policies with companies, coverage and in amounts satisfactory to Lender in accordance with Section 8.1(g).

15.8 PAYMENT OF TAXES.

Borrower shall pay all real estate taxes and assessments and charges of every kind upon the Project before the same become delinquent, provided, however, that Borrower shall have the right to pay such tax under protest or to otherwise contest any such tax or assessment, but only if (i) such contest has the effect of preventing the collection of such taxes so contested and also of preventing the sale or forfeiture of the Project or any part thereof or any interest therein, (ii) Borrower has notified Lender of Borrower's intent to contest such taxes, (iii) Borrower has deposited security in form and amount satisfactory to Lender, in its sole discretion, and has increased the amount of such security so deposited promptly after Lender's request therefore, and (iv) Borrower has satisfied all of the requirements of the Sublease to the contesting of taxes. If Borrower fails to commence such contest or, having commenced to contest the same, and having deposited such security required by Lender for its full amount, shall thereafter fail to prosecute such contest in good faith or with due diligence, or, upon adverse conclusion of any such contest, shall fail to pay such tax, assessment or charge, Lender may, at its election (but shall not be required to), pay and discharge any such tax, assessment or charge, and any interest or penalty thereon, and any amounts so expended by Lender shall be deemed to constitute disbursements of the Loan proceeds hereunder (even if the total amount of disbursements would exceed the face amount of the Note). Borrower shall furnish to Lender evidence that taxes are paid at least five (5) days prior to the last date for payment of such taxes and before imposition of any penalty or accrual of interest. Following the Loan Opening Date, Borrower shall diligently obtain the assessment of the Land separate and apart from any other real property and improvements and shall provide Lender with evidence of such separate assessment in form reasonably acceptable to Lender.

15.9 ESCROW ACCOUNTS.

Borrower shall, following the written request of Lender or upon the occurrence of any Event of Default, make insurance and tax escrow deposits, in amounts reasonably determined by Lender from time to time as being needed to pay taxes and insurance premiums when due, in an interest bearing escrow account held by Lender in Lender's name and under its sole dominion and control. All payments deposited in the escrow account, and all interest accruing thereon, are pledged as additional collateral for the Loan. Notwithstanding Lender's holding

of the escrow

account, nothing herein shall obligate Lender or any Lender to pay any insurance premiums or real property taxes with respect to any portion of the Project unless the Event of Default has been cured to the satisfaction of Lender. If the Event of Default has been satisfactorily cured, Lender shall make available to Borrower such funds as may be deposited in the escrow account from time to time for Borrower's payment of insurance premiums or real property taxes due with respect to the Project.

15.10 PERSONAL PROPERTY.

All of Borrower's personal property, fixtures, attachments and equipment delivered upon, attached to or used in connection with the Construction or the operation of the Project shall always be located at the Project and, unless the prior written consent of Lender is first obtained, shall be kept free and clear of all liens, encumbrances and security interests.

15.11 LEASING RESTRICTIONS.

Without the prior written consent of Lender, Borrower and Borrower's agents shall not (i) enter into any additional Leases, (ii) modify, amend or terminate any Lease, or (iii) accept any rental payment in advance of its due date. Borrower shall provide Lender with a copy of all Leases no less than ten (10) days prior to execution of such Leases. Borrower shall provide Lender with a copy of the fully executed original of all Leases promptly following their execution.

15.12 DEFAULTS UNDER LEASES.

Borrower will not suffer or permit any breach or default to occur in any of Borrower's obligations under any of the Leases nor suffer or permit the same to terminate by reason of any failure of Borrower to meet any requirement of any Lease including those with respect to any time limitation within which any of Borrower's work is to be done or the space is to be available for occupancy by the lessee. Borrower shall notify Lender promptly in writing in the event a Tenant commits a material default under a Lease or upon the occurrence of a default by any party under the Ground Lease or Sublease. Upon request, Borrower will provide a certificate in form acceptable to Lender that no event of default as defined in the Ground Lease or Sublease 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 thereunder.

15.13 LENDER'S ATTORNEYS' FEES FOR ENFORCEMENT OF AGREEMENT.

In case of any default or Event of Default hereunder, Borrower (in addition to Lender's reasonable attorneys' fees, if any, to be paid pursuant to Section 7.3) will pay Lender's reasonable attorneys' and paralegal fees (including, without limitation, any attorney and paralegal fees and costs incurred in connection with any litigation or bankruptcy or administrative hearing and any appeals therefrom and any post-judgment enforcement action including, without limitation, supplementary proceedings) in connection with the enforcement of this Agreement; without limiting the generality of the foregoing, if at any time or times hereafter Lender employs

counsel (whether or not any suit has been or shall be filed and whether or not other legal proceedings have been or shall be instituted) for advice or other representation with respect to the Project, this Agreement, or any of the other Loan Documents, or to protect, collect, lease, sell, take possession of, or liquidate any of the Project, or to attempt to enforce any security interest or lien in any portion of the Project, or to enforce any rights of Lender or Borrower's obligations hereunder, then in any of such events all of the reasonable attorneys' fees arising from such services, and any expenses, costs and charges relating thereto (including fees and costs of paralegals), shall constitute an additional liability owing by Borrower to Lender, payable on demand.

15.14 APPRAISALS.

Lender shall have the right to obtain a new or updated Appraisal of the Project from time to time. Borrower shall cooperate with Lender in this regard. If the Appraisal is obtained to comply with this Agreement or any applicable law or regulatory requirement, or if an Event of Default exists, Borrower shall pay for any such Appraisal upon Lender's request.

15.15 FINANCIAL INFORMATION.

Borrower shall deliver or cause to be delivered to Lender on a continuing basis during the term of the Loan, within the times as hereinafter set forth, the following:

(a) Within ninety (90) days after the end of each year, beginning with the year ending December 31, 2005, audited GAAP-basis financial statements of Borrower and the Project by a nationally-recognized accounting firm or an independent certified public accounting firm reasonably acceptable to Lender; plus

(i) Within forty-five (45) days after the end of each quarter, current financial statements of Borrower and the Project, on a quarterly, year-to-date, and prior year comparable basis, certified by Borrower to be true and correct;

(ii) Within thirty (30) days after the end of each month, current operating statements of the Project certified by Borrower to be true and correct; and

(iii) Such other financial and operating statements and analyses as Lender may reasonably request.

(b) Upon request, a certificate, in form acceptable to Lender, that no Default of Event of Default has occurred.

(c) Within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing or certifying agencies that any license or certification, including, without limitation, the Medicare or Medicaid certification of the Project, is being downgraded, revoked, or suspended or that action is pending or being considered to downgrade, revoke, or suspend the Project's license or certification.

(d) Lender reserves the right to require such other financial information from Borrower at such other times as it shall deem reasonably necessary. All financial statements must be in such form and detail as Lender shall from time to time, but not unreasonably, request.

15.16 SIGN AND PUBLICITY.

Upon Lender's request, Borrower shall promptly erect a sign approved in advance by Lender in a conspicuous location on the Project during the Construction indicating that the financing for the Project is provided by Lender. Lender reserves the right to publicize the making of the Loan.

15.17 LOST NOTE.

Upon Lender's furnishing to Borrower an affidavit to such effect, Borrower shall, if the Note is mutilated, destroyed, lost or stolen, deliver to Lender, in substitution therefor, a new note containing the same terms and conditions as the Note.

15.18 DEFAULTS.

Borrower will promptly notify Lender in writing of the occurrence of any Default or Event of Default, specifying the nature and existence of such Default or Event of Default and what action Borrower is taking or proposes to take with respect thereto.

15.19 NO ADDITIONAL DEBT.

Except for the Loan, Borrower shall not incur any indebtedness (whether personal or nonrecourse, secured or unsecured) other than secured, non-recourse equipment financing and customary trade payables paid within sixty (60) days after they are incurred.

15.20 COMPLIANCE WITH LAWS AND AGREEMENTS.

Borrower shall comply with all applicable requirements (including applicable Laws) of any Governmental Authority having jurisdiction over Borrower or the Project. Borrower shall comply with the terms and provisions of the Sublease, Purchase Agreement, Reciprocal Easement Agreement and any other agreements, declarations or restrictions to which Borrower or the Project is subject.

15.21 ORGANIZATIONAL DOCUMENTS.

Borrower shall not, without the prior written consent of Lender, which will not be unreasonably withheld, permit or suffer (i) a material amendment or modification of its organizational documents, (ii) the admission of any new partner, or (iii) any dissolution or termination of its existence.

15.22 FURNISHING REPORTS.

Upon Lender's request, Borrower shall provide Lender with copies of all inspections, reports, test results and other information received by Borrower, which in any way relate to the Project or any part thereof.

15.23 MANAGEMENT CONTRACTS.

Borrower shall not enter into, modify, amend, terminate or cancel any management contracts for the Project or agreements with agents or brokers, without the prior written approval of Lender.

15.24 FURNISHING NOTICES.

Borrower shall provide Lender with copies of all material notices pertaining to the Project received by Borrower from any Tenant, Governmental Authority or insurance company within seven (7) days after such notice is received.

15.25 CONSTRUCTION CONTRACTS.

Borrower shall not enter into, modify, amend, terminate or cancel the General Contract, the Program Development Agreement, the Architect's contract or any contracts for the Construction, without the prior written approval of Lender, which approval shall not be unreasonably withheld. Borrower will furnish Lender promptly after execution thereof executed copies of all contracts between Borrower, architects, engineers and contractors and all subcontracts between the General Contractor or contractors and all of their subcontractors and suppliers, which contracts and subcontracts may not have been furnished pursuant to Section 9.1(a) at the time of the Opening of the Loan.

15.26 CORRECTION OF DEFECTS.

Within five (5) days after Borrower acquires knowledge of or receives notice of a defect in the Improvements or any departure from the Plans and Specifications, or any other requirement of this Agreement, Borrower will proceed with diligence to correct all such defects and departures. No advance shall be made with respect to such defective work until such defective work has been corrected and brought into full compliance with the requirements of this Agreement. No advance shall be made upon any draw request if, upon the date of submittal thereof, any defective work has remained uncorrected for a period of more than thirty (30) days, unless correction of such defective work is under way and progressing satisfactorily to Lender and the Lender's Consultant.

15.27 HOLD DISBURSEMENTS IN TRUST.

Borrower shall receive and hold in trust for the sole benefit of Lender (and not for the benefit of any other person, including, but not limited to, contractors or any subcontractors) all advances made hereunder directly to Borrower, for the purpose of paying costs of the Construction in accordance with the Budget. Borrower shall use the proceeds of the Loan solely for the payment of costs as specified in the Budget. Borrower will pay all other costs, expenses and fees relating to the acquisition, equipping, use and operation of the Project.

15.28 FOUNDATION SURVEY.

Not later than thirty (30) days after completion of the foundation with respect to the Improvements, Borrower shall furnish to Lender a survey of the Land with the foundation of the Improvements located thereon, and also satisfying the requirements set forth in Section 8.1(f).

15.29 ALTERATIONS.

Without the prior written consent of Lender, Borrower shall not make any material alterations to the Project (other than completion of the Construction in accordance with the Plans and Specifications).

15.30 CASH DISTRIBUTIONS.

Borrower shall not make any distributions to partners, members or shareholders during Construction.

15.31 MAINTENANCE OF OFFICE.

Borrower will maintain its chief executive office in Houston, Texas, or at such other place in the United States of America as the Borrower shall designate upon prior written notice to Lender, where notices, presentations and demands to or upon Borrower in respect of the Loan Documents may be given or made.

15.32 RECORDS AND ACCOUNTS.

Borrower will (i) keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with Generally Accepted Accounting Principles, and (ii) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization of its properties, contingencies, and other reserves. Borrower shall not, without the prior written consent of Lender, make any material change to the accounting procedures used by it in preparing the financial statements and other information required by this Agreement. Borrower shall during regular business hours permit Lender or any of its agents or representatives to have access to and examine all of its books and records regarding the development and operation of the Project.

15.33 REQUIRED PERMITS.

Borrower will promptly obtain all Required Permits not heretofore obtained by Borrower (and any other Required Permits which may hereafter become required or necessary) and will furnish Lender with evidence that Borrower has obtained such Required Permits promptly upon its request. Borrower will give all such notices to, and take all such other actions with respect to, such Governmental Authority as may be required under applicable Laws to construct the Improvements and to use, occupy and operate the Project following the completion of the construction of the Improvements. Borrower will also promptly obtain all utility installations and connections required for the operation and servicing of the Project for its intended purposes, and will furnish Lender with evidence thereof. Borrower will duly perform and comply with all of the terms and conditions of all Required Permits obtained at any time.

15.34 FURTHER ASSURANCE OF TITLE.

Borrower will further assure title as follows. If at any time Lender or the Lender's counsel has reason to believe that any advance is not secured or will or may not be secured by the Mortgage as a first lien or security interest on the Project, then Borrower shall, within ten (10) days after written notice

from Lender, do all things and matters necessary to assure to the satisfaction of the Lender that any advance previously made hereunder or to be made hereunder is secured or will be secured by the Mortgage as a first lien or security interest on the Project, and Lender, at its option, may decline to make further advances hereunder until Lender has received such assurance; but nothing in this paragraph shall limit Lender's right to require endorsements extending the effective date of the Title Policy as herein set forth.

15.35 FURTHER ASSURANCES.

(a) Regarding Construction. Borrower will furnish or cause to be furnished to the Lender all instruments, documents, boundary surveys, footing or foundation surveys, certificates, plans and specifications, title and other insurance, reports and agreements and each and every other document and instrument required to be furnished by the terms of this Agreement or the other Loan Documents, all at Borrower's expense.

(b) Regarding Preservation of Collateral. Borrower will execute and deliver to the Lender such further documents, instruments, assignments and other writings, and will do such other acts necessary or desirable, to preserve and protect the collateral at any time securing or intended to secure the Obligations, as Lender may require. Borrower shall diligently pursue resolution of the gap between the northerly boundary of the Project with the adjacent 15.1361 acre tract on which the Pinnacle Apartments are located.

(c) Regarding this Agreement. Borrower will cooperate with Lender, and will do such further acts and execute such further instruments and documents as Lender shall reasonably request to carry out to its satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

15.36 FUNDAMENTAL CHANGES OF BORROWER.

Borrower: (a) does not own and will not own any encumbered asset other than its interest under the Sublease; (b) is not engaged and will not engage in any business other than the construction and operation of the Project; (c) will not enter into any contract or agreement with any general partner, principal or Affiliate of Borrower or any Affiliate of any general partner of the Borrower except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than an Affiliate; (d) has not made and will not make any loans or advances to any third party (including any Affiliate); (e) is and will be solvent and pay its debt from its assets as the same shall become due; (f) has done or caused to be done and will do all things necessary to preserve its existence, and will not, nor will any partner, limited or general, or shareholder thereof, amend, modify or otherwise change its partnership certificate, partnership agreement, articles of incorporation or by-laws in a manner which adversely affects Borrower's existence as a single purpose entity; (g) will conduct and operate its business as presently conducted and operated; (h) will maintain books and records and bank accounts separate from those of its Affiliates, including its general partner; (i) will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including its general partner or any Affiliate thereof); (j) will file its own tax returns; (k) will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations; (1) will not seek the dissolution or winding up, in whole or in part, of the Borrower; (m) will not commingle the funds and other assets of the Borrower with those of its general partner or any Affiliate thereof or any other Person; (n) has and will maintain its assets in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or any other Person; and (o) does not and will not hold itself out to be responsible for the debts or obligations of any other Person.

15.37 COMPLIANCE WITH ENVIRONMENTAL LAWS.

(a) Borrower will not, and will not permit any Tenants or other occupants of the Project, to do any of the following: (i) use the Project or any portion thereof as a facility for the handling, processing, storage or disposal

of Hazardous Materials, except for small quantities of Hazardous Materials used in the ordinary course of business and in compliance with all applicable Environmental Laws, (ii) cause or permit to be located on any of the Project any underground tank or other underground storage receptacle for Hazardous Materials except in full compliance with Environmental Laws, (iii) generate any Hazardous Materials on any of the Project except in full compliance with Environmental Laws, (iv) conduct any activity on any of the Project or use any of the Project in any manner so as to cause a Release of Hazardous Materials on, upon or into the Project or any surrounding properties which might give rise to liability under CERCLA or any other Environmental Law, or (v) directly or indirectly transport or arrange for the transport of any Hazardous Materials (except in compliance with all Environmental Laws).

(b) Borrower shall:

(i) in the event of any change in Environmental Laws governing the assessment, Release or removal of Hazardous Materials, which change would lead a

prudent lender to require additional testing to avail itself of any statutory insurance or limited liability, take all action (including, without limitation, the conducting of engineering tests at the sole expense of Borrower) which Lender deems reasonably necessary to allow Lender to obtain the benefits of such statutory insurance and/or limited liability; and

(ii) if any Release or disposal of Hazardous Materials in violation of Environmental Laws shall occur or shall have occurred (including without limitation any such Release or disposal in violation of Environmental Laws occurring prior to the acquisition of Borrower's interest in the Project), cause the prompt containment and removal of such Hazardous Materials and remediation of the Project in full compliance with all applicable Laws and otherwise in compliance with the terms of this Agreement; provided, that Borrower shall be deemed to be in compliance with Environmental Laws for the purpose of this clause (ii) so long as it or a responsible third party with sufficient financial resources is taking reasonable action to remediate or manage any event of noncompliance to the satisfaction of the Lender and no action shall have been commenced by any enforcement agency. Lender may engage its own environmental engineer to review the environmental assessments and Borrower's compliance with the covenants contained herein.

(c) At any time after an Event of Default shall have occurred hereunder, or, whether or not an Event of Default shall have occurred, at any time that Lender shall have reasonable grounds to believe that a Release or threatened Release of Hazardous Materials may have occurred, relating to the Project, or that the Project is not in compliance with the Environmental Laws, Lender may, at its election, obtain such assessments, including, without limitation, environmental assessments of the Project prepared by an environmental engineer as may be necessary or advisable for the purpose of evaluating or confirming (i) whether any Hazardous Materials are present in the soil or water at or adjacent to the Project, and (ii) whether the use and operation of the Project comply with all Environmental Laws. Such assessments may include detailed visual inspections of the Project, including, without limitation, any and all storage areas, storage tanks, drains, dry wells and leaching areas, and the taking of soil or other samples, as well as such other investigations or analyses as are necessary or appropriate for a complete determination of the compliance of the Project and the use and operation thereof with all applicable Environmental Laws or as Lender reasonably deems necessary and appropriate. All such environmental assessments shall be at the sole cost and expense of Borrower.

(d) The Lender may, but shall never be obligated to, remove or cause the removal of any Hazardous Materials which are in violation of any Environmental Law from the Project (or if removal is prohibited by any Environmental Law or any other applicable Law, physical restriction or other reason, take or cause the taking of such other action as is required or appropriate to be in compliance with any Environmental Law) if Borrower fails to comply with its obligations hereunder with respect thereto (without limitation of Lender's rights to declare a default under any of the Loan Documents and to

exercise all rights and remedies available by reason thereof); and Lender and its designees are hereby granted access to the Project at any time or times, upon reasonable notice, and a license which is coupled with an interest and irrevocable,

to remove or cause such removal or to take or cause the taking of any such other action. All costs, including, without limitation, the reasonable costs incurred by Lender in taking the foregoing action, damages, liabilities, losses, claims, expenses (including attorneys' fees and disbursements) which are incurred by Lender, as the result of Borrower's failure to comply with the provisions of this Section 15.37, shall be paid by Borrower to Lender upon demand by Lender and shall be additional obligations secured by the Loan Documents.

(e) Borrower shall notify Lender in writing, promptly upon Borrower's learning thereof, of any:

(i) notice or claim to the effect that Borrower is or may be liable to any person as a result of the release or threatened release of any Hazardous Material into the environment from the Project;

(ii) notice that Borrower is subject to investigation by any Governmental Authority evaluating whether any remedial action is needed to respond to the Release or threatened Release of any Hazardous Material into the environment from the Project;

(iii) notice that the Project is subject to any environmental lien; and

(iv) notice of violation to Borrower or awareness by Borrower of a condition, which might reasonably result in a notice of violation of any applicable Environmental Law that could result in a Material Adverse Change.

15.38 Tangible Net Worth.

Borrower shall not at any time allow its Tangible Net Worth to be less than those amounts required under Section 16.2(a) of the Post-Construction Lease.

15.39 AUTHORIZED REPRESENTATIVE.

Borrower hereby appoints Robert A. Behar, M.D., as its Authorized Representative for purposes of dealing with Lender on behalf of Borrower in respect of any and all matters in connection with this Agreement, the other Loan Documents, and the Loan. The Authorized Representative shall have the power, in his discretion, to give and receive all notices, monies, approvals, and other documents and instruments, and to take another action on behalf of Borrower. All actions by the Authorized Representative shall be final and binding on Borrower. Lender and Lender may rely on the authority given to the Authorized Representative until actual receipt by Lender of a duly authorized resolution substituting a different person as the Authorized Representative. No more than one person shall serve as Authorized Representative at any given time.

ARTICLE 16
CASUALTIES AND CONDEMNATION

16.1 LENDER'S ELECTION TO APPLY PROCEEDS ON INDEBTEDNESS.

(a) Subject to the provisions of Section 16.1(b) below, Lender may elect to collect, retain and apply upon the indebtedness of Borrower under this Agreement or any of the other Loan Documents all proceeds of insurance or condemnation (individually and collectively referred to as "Proceeds") after deduction of all expenses of collection and settlement, including attorneys' and adjusters' fees and charges. Any proceeds remaining after repayment of the indebtedness under the Loan Documents shall be paid by Lender to Borrower.

(b) Notwithstanding anything in Section 16.1(a) to the contrary,

in the event of any casualty to the Improvements or any condemnation of part of the Project, Lender agrees to make available the Proceeds to restoration of the Improvements if (i) no Event of Default exists, (ii) all Proceeds are deposited with Lender, (iii) in Lender's reasonable judgment, the amount of Proceeds available for restoration of the Improvements (together with undisbursed proceeds of the Loan, if any, allocated for the cost of the Construction and any sums or other security acceptable to Lender deposited with Lender by Borrower for such purpose) is sufficient to pay the full and complete costs of such restoration, (iv) no material Leases in effect at the time of such casualty or condemnation are or will be terminated nor rent decreased as a result of such casualty or condemnation, (v) if the cost of restoration exceeds ten percent (10%) of the Loan Amount, in Lender's sole determination after completion of restoration, the Loan Amount will not exceed the fair market value of the Project, (vi) in Lender's reasonable determination, the Project can be restored to an architecturally and economically viable project in compliance with applicable Laws, and (vii) in Lender's reasonable determination, such restoration is likely to be completed not later than three (3) months prior to the Maturity Date.

16.2 BORROWER'S OBLIGATION TO REBUILD AND USE OF PROCEEDS THEREFOR.

In case Lender does not elect to apply or does not have the right to apply the Proceeds to the indebtedness, as provided in Section 16.1 above, Borrower shall:

(a) Proceed with diligence to make settlement with insurers or the appropriate Governmental Authorities and cause the Proceeds to be deposited with Lender;

(b) In the event of any delay in making settlement with insurers or the appropriate Governmental Authorities or effecting collection of the Proceeds, deposit with Lender the full amount required to complete construction as aforesaid;

(c) In the event the Proceeds and the available proceeds of the Loan are insufficient to assure the Lender that the Loan will be In Balance, promptly deposit with Lender any amount necessary to place the Loan In Balance; and

(d) Promptly proceed with the assumption of construction of the Improvements, including the repair of all damage resulting from such fire, condemnation or other cause and restoration to its former condition.

Any request by Borrower for a disbursement by Lender of Proceeds and funds deposited by Borrower shall be treated by Lender as if such request were for an advance of the Loan hereunder, and the disbursement thereof shall be conditioned upon Borrower's compliance with and satisfaction of the same conditions precedent as would be applicable under this Agreement for an advance of the Loan.

ARTICLE 17
ASSIGNMENTS BY LENDER AND BORROWER

17.1 ASSIGNMENTS AND PARTICIPATIONS.

Lender may from time to time sell the Loan and the Loan Documents (or any interest therein) and may grant participations in the Loan. Borrower agrees to cooperate with Lender's efforts to do any of the foregoing and to execute all documents reasonably required by Lender in connection therewith which do not materially adversely affect Borrower's rights under the Loan Documents.

17.2 PROHIBITION OF ASSIGNMENTS AND TRANSFERS BY BORROWER.

Borrower shall not assign or attempt to assign its rights under this Agreement and any purported assignment shall be void. Without the prior written consent of Lender, in Lender's sole discretion, Borrower shall not suffer or permit (a) any change in the management (whether direct or indirect) of the Project, or (b) any Transfer.

17.3 PROHIBITION OF TRANSFERS IN VIOLATION OF ERISA.

In addition to the prohibitions set forth in Section 17.2 above, Borrower shall not assign, sell, pledge, encumber, transfer, hypothecate or otherwise dispose of its interest or rights in this Agreement or in the Project, or attempt to do any of the foregoing or suffer any of the foregoing, nor shall any party owning a direct or indirect interest in Borrower assign, sell, pledge, mortgage, encumber, transfer, hypothecate or otherwise dispose of any of its rights or interest (direct or indirect) in Borrower, attempt to do any of the foregoing or suffer any of the foregoing, if such action would cause the Loan, or the exercise of any of Lender's rights in connection therewith, to constitute a prohibited transaction under ERISA or the Internal Revenue Code or otherwise result in Lender being deemed in violation of any applicable provision of ERISA. Borrower agrees to indemnify and hold Lender free and harmless from and against all losses, costs (including attorneys' fees and expenses), taxes, damages (including consequential damages) and expenses Lender may suffer by reason of the investigation, defense and settlement of claims and in obtaining any prohibited transaction exemption under ERISA necessary or desirable in Lender's sole judgment or by reason of a breach of the foregoing prohibitions. The foregoing indemnification shall be a recourse obligation of Borrower and shall survive repayment of the Note, notwithstanding any limitations on recourse contained herein or in any of the Loan Documents.

17.4 SUCCESSORS AND ASSIGNS.

Subject to the foregoing restrictions on transfer and assignment contained in this Article 17, this Agreement shall inure to the benefit of and shall be binding on the parties hereto and their respective successors and permitted assigns.

ARTICLE 18
TIME OF THE ESSENCE

18.1 TIME IS OF THE ESSENCE.

Borrower agrees that time is of the essence under this Agreement.

ARTICLE 19
EVENTS OF DEFAULT

The occurrence of any one or more of the following shall constitute an "Event of Default" as said term is used herein:

(a) Failure of Borrower (i) (A) to make any principal payment when due, (B) to pay any interest within five (5) days after the date when due or (C) to observe or perform any of the other covenants or conditions by Borrower to be performed under the terms of this Agreement or any other Loan Document concerning the payment of money, for a period of ten (10) days after written notice from Lender that the same is due and payable; or (ii) for a period of thirty (30) days after written notice from Lender, to observe or perform any non-monetary covenant or condition contained in this Agreement or any other Loan Documents; provided that if any such failure concerning a non-monetary covenant or condition is susceptible to cure and cannot reasonably be cured within said thirty (30) day period, then Borrower shall have an additional sixty (60) day period to cure such failure and no Event of Default shall be deemed to exist hereunder so long as (Y) Borrower commences such cure within the initial thirty (30) day period and diligently and in good faith pursues such cure to completion within such resulting ninety (90) day period from the date of Lender's notice, and (Z) the existence of such default will not result in any Tenant having the right to terminate its Lease due to such default; and provided further that if a different notice or grace period is specified under any other subsection of this Section 19.1 with respect to a particular breach, or if another subsection of this Section 19.1 applies to a particular breach and does not expressly provide for a notice or grace period, the specific provision shall control.

(b) The disapproval by Lender or Lender's Consultant at any time of any construction work and failure of Borrower to cause the same to be corrected to the satisfaction of Lender within the cure period provided in Section 19.1(a)(ii) above.

(c) A delay in the Construction or a discontinuance for a period of fifteen (15) days after written notice from Lender concerning such delay or discontinuance (other than Unavoidable Delays), or in any event a delay in the Construction so that the same is not, in Lender's judgment

(giving due consideration to the assessment of Lender's Consultant), likely to be completed on or before the Completion Date.

(d) The bankruptcy or insolvency of the General Contractor and failure of Borrower to procure a contract with a new contractor satisfactory to Lender within thirty (30) days from the occurrence of such bankruptcy or insolvency.

(e) Any Transfer or other disposition in violation of Sections 17.2 or 17.3.

(f) Any material default by Borrower, as lessor, under the terms of any Lease following the expiration of any applicable notice and cure period, provided that if the Lease does not provide a notice and cure period, then the notice and cure period provided in (a)(i) above will apply to any such monetary default, and the notice and cure period provided in (a)(ii) will apply to any such non-monetary default (which respective periods shall commence upon written notice of default from Lender or the applicable Tenant, whichever occurs first).

(g) If any warranty, representation, statement, report or certificate made now or hereafter by Borrower is untrue or incorrect at the time made or delivered, provided that if such breach is reasonably susceptible of cure, then no Event of Default shall exist so long as Borrower cures said breach (i) within the notice and cure period provided in (a)(i) above for a breach that can be cured by the payment of money or (ii) within the notice and cure period provided in (a)(ii) above for any other breach.

(h) Borrower shall commence a voluntary case concerning Borrower under the Bankruptcy Code; or an involuntary proceeding is commenced against Borrower under the Bankruptcy Code and relief is ordered against Borrower, or the petition is controverted but not dismissed or stayed within sixty (60) days after the commencement of the case, or a custodian (as defined in the Bankruptcy Code) is appointed for or takes charge of all or substantially all of the property of Borrower; or the Borrower commences any other proceedings under any reorganization, arrangement, readjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar Law of any jurisdiction whether now or hereafter in effect relating to the Borrower; or there is commenced against Borrower any such proceeding which remains undismissed or unstayed for a period of sixty (60) days; or the Borrower fails to controvert in a timely manner any such case under the Bankruptcy Code or any such proceeding, or any order of relief or other order approving any such case or proceeding is entered; or the Borrower by any act or failure to act indicates its consent to, approval of, or acquiescence in any such case or proceeding or the appointment of any custodian or the like of or for it for any substantial part of its property or suffers any such appointment to continue undischarged or unstayed for a period of sixty (60) days.

(i) Borrower shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all of its property or the major part thereof or if all or a substantial part of the assets of Borrower are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any receiver, trustee, custodian or assignee for the benefit of creditors.

(j) If Borrower is enjoined, restrained or in any way prevented by any court order from constructing or operating the Project.

(k) Failure by Borrower to make any Deficiency Deposit with Lender within the time and in the manner required by Article 11 hereof.

(l) One or more final, unappealable judgments are entered against Borrower in amounts aggregating in excess of $100,000, and said judgments are not stayed or bonded over within thirty (30) days after entry.

(m) If Borrower shall fail to pay any debt owed by it or is in default under any agreement with Lender or any other party (other than a failure or default for which Borrower's maximum liability does not exceed $100,000) and

such failure or default continues after any applicable grace period specified in the instrument or agreement relating thereto.

(n) If a Material Adverse Change occurs with respect to Borrower, the Project or any material Tenant.

(o) any of the Loan Documents shall be canceled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior approval of Lender, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of Borrower which is a party thereto or any of its partners, or any court or any other Governmental Authority of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof.

(p) Borrower shall be indicted for a federal crime, a punishment for which could include the forfeiture of any of its assets.

(q) The termination of the Sublease or the Ground Lease for any reason (other than the termination of the Ground Lease resulting from MPT Land Entity's acquisition of fee simple title to the Land or the termination of the Parking Tract Ground Lease by NHLV pursuant to paragraph 23 thereof).

(r) The occurrence of any other event or circumstance denominated as an Event of Default herein or under any of the other Loan Documents and the expiration of any applicable grace or cure periods, if any, specified for such Event of Default herein or therein, as the case may be.

ARTICLE 20
LENDER'S REMEDIES IN EVENT OF DEFAULT

20.1 REMEDIES CONFERRED UPON LENDER.

Upon the occurrence of any Event of Default, Lender may pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies shall be to the exclusion of any other:

(a) Take possession of the Project and complete the Construction and do anything, which is necessary or appropriate in its sole judgment to fulfill the obligations of Borrower under this Agreement and the other Loan Documents, including either the right to avail itself of and procure performance of existing contracts or let any contracts with the same contractors or others. Without restricting the generality of the foregoing and for the purposes aforesaid, Borrower hereby appoints and constitutes Lender its lawful attorney-in-fact with full power of substitution in the Project to complete the Construction in the name of Borrower; to use unadvanced funds remaining under the Note or which may be reserved, escrowed or set aside for any purposes hereunder at any time, or to advance funds in excess of the face amount of the Note, to complete the Construction; to make changes in the Plans and Specifications which shall be necessary or desirable to complete the Construction in substantially the manner contemplated by the Plans and Specifications; to retain or employ new general contractors, subcontractors, architects, engineers and inspectors as shall be required for said purposes; to pay, settle or compromise all existing bills and claims, which may be liens or security interests, or to avoid such bills and claims becoming liens against the Project; to execute all applications and certificates in the name of Borrower prosecute and defend all actions or proceedings in connection with the Improvements or Project; to take action and require such performance as it deems necessary under any of the Bonds to be furnished hereunder and to make settlements and compromises with the surety or sureties thereunder, and in connection therewith, to execute instruments of release and satisfaction; and to do any and every act which the Borrower might do in its own behalf; it being understood and agreed that this power of attorney shall be a power coupled with an interest and cannot be revoked;

(b) Withhold further disbursement of the proceeds of the Loan and/or terminate Lender's obligations to make further disbursements hereunder;

(c) Declare the Note to be immediately due and payable, without any presentment, demand, protest or notice of any kind to Borrower, all of which are

hereby expressly waived by Borrower.

(d) Use and apply any monies or letters of credit deposited by Borrower with Lender, regardless of the purposes for which the same was deposited, to cure any such default or to apply on account of any indebtedness under this Agreement which is due and owing to Lender; and

(e) Exercise or pursue any other remedy or cause of action permitted under this Agreement or any other Loan Documents, or conferred upon Lender by operation of Law.

Notwithstanding the foregoing, upon the occurrence of any Event of Default under Section 19.1(h) or (i), all amounts evidenced by the Note shall automatically become due and payable.

20.2 COSTS OF COMPLETION.

Borrower shall be liable to Lender for all costs paid or incurred for the construction, equipping and completion of the Project, whether the same shall be paid or incurred pursuant to the provisions of this Section 20.2 or otherwise, and all payments made or liabilities incurred by Lender under this Section 20.2 of any kind whatsoever shall be deemed advances made to Borrower under this Agreement and shall be secured by the Mortgage and the other Loan Documents. In the event Lender takes possession of the Project and assumes control of such construction as aforesaid, it shall not be obligated to continue such construction longer than it shall see fit and may thereafter, at any time, change any course of action undertaken by it or abandon such construction and decline to make further payments for the account of Borrower whether or not the Project shall have been completed. For purpose of this Section 20.2, the construction, equipping and the completion of the Project shall be deemed to include any action necessary to cure any Event of Default by the Borrower under any of the terms and provisions of any of the Loan Documents.

20.3 DISTRIBUTION OF COLLATERAL PROCEEDS.

In the event that, following the occurrence or during the continuance of any Event of Default, any monies are received in connection with the enforcement of any of the Loan Documents, or otherwise with respect to the realization upon any of the collateral, such monies shall be distributed for application as follows:

(a) First, to the payment of, or (as the case may be) the reimbursement of Lender for or in respect of, all reasonable costs, expenses, disbursements and losses which shall have been incurred or sustained by Lender in connection with the collection of such monies by Lender, for the exercise, protection or enforcement by Lender of all or any of the rights, remedies, powers and privileges of Lender under this Agreement or any of the other Loan Documents or in respect of the collateral or in support of any provision of adequate indemnity to Lender against any taxes or liens which by law shall have, or may have, priority over the rights of Lender to such monies;

(b) Second, to all other Obligations in such order or preference as the Lender shall determine; and

(c) Third, the excess, if any, shall be returned to Borrower or to such other Persons as are entitled thereto.

20.4 POWER OF ATTORNEY.

For the purposes of carrying out the provisions and exercising the rights, remedies, powers and privileges granted by or referred to in this Article 20, the Borrower hereby irrevocably constitutes and appoints Lender its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts which are referred to in this Article 20, in the name and on behalf of the Borrower. The power vested in such attorney-in-fact is, and shall be deemed to be, coupled with an interest and irrevocable.

20.5 WAIVERS.

Borrower hereby waives to the extent not prohibited by applicable Law (a) all presentments, demands for performance, notices of nonperformance (except to the extent required by the provisions hereof or of any of the other Loan Documents), protests and notices of dishonor, (b) any requirement of diligence or promptness on Lender's part in the enforcement of their rights (but not fulfillment of its obligations) under the provisions of this Agreement or any of the other Loan Documents, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which Borrower may now or hereafter have with respect to its liability under this Agreement or under any of the other Loan Documents.

20.6 SET-OFFS.

After the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably authorizes and directs Lender from time to time to charge Borrower's deposits with Lender, if any, or its Affiliates, and to pay over to Lender an amount equal to any amounts from time to time due and payable to Lender hereunder, under the Note or under any other Loan Document. Borrower hereby grants to Lender a security interest in and to all such deposits maintained by the Borrower with Lender (or its Affiliates).

ARTICLE 21
EXPENSES

Borrower agrees to pay (a) the reasonable costs of producing and reproducing this Agreement, the other Loan Documents and the other agreements and instruments mentioned herein, (b) any taxes (including any interest and penalties in respect thereto) payable by Lender, including any recording, mortgage, documentary stamp or intangibles taxes in connection with the Mortgage, or other taxes payable on or with respect to the transactions contemplated by this Agreement, including any taxes payable by Lender after the Loan Opening Date (Borrower hereby agreeing to indemnify Lender with respect thereto), (c) all title insurance premiums and the reasonable fees, expenses and disbursements of Lender's counsel or any local counsel to Lender incurred in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, the making of each advance hereunder, and amendments, modifications, approvals, consents or waivers hereto or hereunder, (d) the fees, expenses and disbursements of Lender incurred in connection with the preparation, interpretation or extraordinary or non-routine administration of the Loan Documents and other instruments mentioned herein, and the making of each Advance hereunder (including all appraisal fees, engineer's fees, charges for commercial finance examinations and engineering and environmental reviews, all fees paid to the Lender's Consultant and surveyor fees), and (e) all reasonable out-of-pocket expenses, including reasonable attorneys' fees and costs, and the fees and costs of consultants, accountants, auctioneers, receivers, brokers, property managers, appraisers, investment bankers or other experts retained by the Lender in connection with (i) the enforcement of or preservation of rights under any of the Loan Documents against Borrower, any of its general partners or the administration thereof after the occurrence of a Default or Event of Default, and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to Lender's relationship with the Borrower or any of its general partners. The

covenants of this Article 21 shall survive payment or satisfaction of payment of all amounts owing with respect to the Note.

ARTICLE 22
INDEMNIFICATION

Borrower agrees to indemnify and hold harmless Lender and each director, officer, employee and agent of Lender from and against any and all claims, actions and suits, whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of or relating to this Agreement or any of the other Loan Documents or the transactions contemplated hereby and thereby including, without limitation, (a) any brokerage, leasing, finders or similar fees, (b) any disbursement of the proceeds of the Loan, (c) any condition of the Project whether related to the quality of construction or otherwise, (d) any actual or

proposed use by Borrower of the proceeds of the Loan, (e) any actual or alleged violation of any Laws or Required Permits, (f) any actual or alleged infringement of any patent, copyright, trademark, service mark or similar right of Borrower or any of its general partners, (g) Borrower entering into or performing this Agreement or any of the other Loan Documents or (h) with respect to the matters described in the Environmental Indemnity and Paragraph 7 of the Mortgage, in each case including, without limitation, the reasonable fees and disbursements of counsel and allocated costs of internal counsel incurred in connection with any such investigation, litigation or other proceeding. In litigation, or the preparation therefor, Lender shall be entitled to select its own counsel and, in addition to the foregoing indemnity, Borrower agrees to pay promptly the reasonable fees and expenses of such counsel. The obligations of Borrower under this Article 22 shall survive the repayment of the Loan and shall continue in full force and effect so long as the possibility of such claim, action or suit exists. If, and to the extent that, the obligations of Borrower under this Article 22 are unenforceable for any reason, Borrower hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable Law.

ARTICLE 23
GENERAL PROVISIONS

23.1 CAPTIONS.

The captions and headings of various Articles, Sections and subsections of this Agreement and Exhibits pertaining hereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof.

23.2 MODIFICATION; WAIVER.

No modification, waiver, amendment or discharge of this Agreement or any other Loan Document shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment or discharge is sought.

23.3 ACQUIESCENCE NOT TO CONSTITUTE WAIVER OF LENDER'S REQUIREMENTS.

Each and every covenant and condition for the benefit of Lender contained in this Agreement may be waived by Lender, provided, however, that to the extent that Lender may have acquiesced in any noncompliance with any construction or nonconstruction conditions precedent to the Opening of the Loan or to any subsequent disbursement of Loan proceeds, such acquiescence shall not be deemed to constitute a waiver by Lender of such requirements with respect to any future disbursements of Loan proceeds.

23.4 DISCLAIMER BY LENDER.

This Agreement is made for the sole benefit of Borrower and Lender, and no other person or persons shall have any benefits, rights or remedies under or by reason of this Agreement, or by reason of any actions taken by Lender pursuant to this Agreement. Lender shall not be liable to any contractors, subcontractors, supplier, architect, engineer, tenant or other party for labor or services performed or materials supplied in connection with the Construction. Lender shall not be liable for any debts or claims accruing in favor of any such parties against Borrower or others or against the Project. Lender, by making the Loan or taking any action pursuant to any of the Loan Documents, shall not be deemed a partner or a joint venturer with Borrower or fiduciary of Borrower. No payment of funds directly to a contractor or subcontractor or provider of services shall be deemed to create any third-party beneficiary status or recognition of same by the Lender. Without limiting the generality of the foregoing:

(a) Lender shall have no liability, obligation or responsibility whatsoever with respect to the Construction. Any inspections of the Construction made by or through Lender are for purposes of administration of the Loan only and neither Borrower nor any third party is entitled to rely upon the same with respect to the quality, adequacy or suitability of materials or workmanship, conformity to the Plans and Specifications, state of completion or otherwise;

(b) Lender neither undertakes nor assumes any responsibility or duty to

Borrower to select, review, inspect, supervise, pass judgment upon or inform Borrower of any matter in connection with the Project, including matters relating to the quality, adequacy or suitability of: (i) the Plans and Specifications, (ii) architects, contractors, subcontractors and material suppliers employed or utilized in connection with the Construction, or the workmanship of or the materials used by any of them, or (iii) the progress or course of Construction and its conformity or nonconformity with the Plans and Specifications; Borrower shall rely entirely upon its own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information to Borrower by Lender in connection with such matters is for the protection of Lender only, and neither Borrower nor any third party is entitled to rely thereon; and

(c) Lender owes no duty of care to protect Borrower or any Tenant against negligent, faulty, inadequate or defective building or construction.

23.5 PARTIAL INVALIDITY; SEVERABILITY.

If any of the provisions of this Agreement, or the application thereof to any person, party or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this

Agreement, or the application of such provision or provisions to persons, parties or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

23.6 DEFINITIONS INCLUDE AMENDMENTS.

Definitions contained in this Agreement which identify documents, including, but not limited to, the Loan Documents, shall be deemed to include all amendments and supplements to such documents from the date hereof, and all future amendments, modifications, and supplements thereto entered into from time to time to satisfy the requirements of this Agreement or otherwise with the consent of Lender. Reference to this Agreement contained in any of the foregoing documents shall be deemed to include all amendments and supplements to this Agreement.

23.7 EXECUTION IN COUNTERPARTS.

This Agreement may be executed in any number of counterparts and by different 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.

23.8 ENTIRE AGREEMENT.

This Agreement, taken together with all of the other Loan Documents and all certificates and other documents delivered by Borrower to Lender, embody the entire agreement and supersede all prior agreements, written or oral, relating to the subject matter hereof.

23.9 WAIVER OF DAMAGES.

In no event shall Lender be liable to Borrower for punitive, exemplary or consequential damages, including, without limitation, lost profits, whatever the nature of a breach by Lender of its obligations under this Agreement or any of the Loan Documents, and Borrower waives all claims for punitive, exemplary or consequential damages.

23.10 CLAIMS AGAINST LENDER.

Lender shall not be in default under this Agreement, or under any other Loan Documents, unless a written notice specifically setting forth the claim of Borrower shall have been given to Lender within three (3) months after Borrower first had knowledge of the occurrence of the event which Borrower alleges gave rise to such claim and Lender does not remedy or cure the default, if any there be, promptly thereafter. Borrower waives any claim, set-off or defense against Lender arising by reason of any alleged default by Lender as to which Borrower does not give such notice timely as aforesaid. Borrower acknowledges that such waiver is or may be essential to Lender's ability to enforce its remedies

without delay and that such waiver therefore constitutes a substantial part of the bargain between Lender and Borrower with regard to the Loan. No Tenant is intended to have any rights as a third-party beneficiary of the provisions of this Section 21.11.

23.11 GOVERNING LAW.

THIS AGREEMENT, THE NOTE AND THE OTHER LOAN DOCUMENTS AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS) AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA, EXCEPT THAT AT ALL TIMES THE PROVISIONS FOR THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIENS AND SECURITY INTERESTS CREATED PURSUANT HERETO AND PURSUANT TO THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAW OF THE STATE IN WHICH THE APPLICABLE INDIVIDUAL PROPERTY IS LOCATED, IT BEING UNDERSTOOD THAT, TO THE FULLEST EXTENT PERMITTED BY THE LAW OF SUCH STATE, THE LAW OF THE STATE OF DELAWARE SHALL GOVERN THE CONSTRUCTION, VALIDITY AND ENFORCEABILITY OF ALL LOAN DOCUMENTS AND ALL OF THE OBLIGATIONS ARISING HEREUNDER OR THEREUNDER. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY OTHER JURISDICTION GOVERNS THIS AGREEMENT, THE NOTE AND THE OTHER LOAN DOCUMENTS.

23.12 CONSENT TO JURISDICTION; WAIVERS.

WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), BORROWER IRREVOCABLY (A) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE STATE OF DELAWARE, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVE ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. BORROWER EXPRESSLY ACKNOWLEDGES THAT DELAWARE IS A FAIR, JUST AND REASONABLE FORUM AND AGREES NOT TO SEEK REMOVAL OR TRANSFER OF ANY ACTION FILED BY LENDER IN SAID COURTS. NOTHING IN THIS AGREEMENT SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. BORROWER FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN A DELAWARE STATE COURT OR UNITED STATES COURT SITTING IN THE STATE OF DELAWARE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO BORROWER AT THE ADDRESS

INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF BORROWER SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

BORROWER WAIVES ANY AND ALL PERSONAL RIGHTS, IF ANY, TO THE RIGHT TO TRIAL BY JURY TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY OTHER DAMAGES OTHER THAN ACTUAL DAMAGES. THE SCOPE OF EACH OF THE FOREGOING WAIVERS IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. BORROWER ACKNOWLEDGES THAT THESE WAIVERS ARE A MATERIAL INDUCEMENT TO THE LENDER'S AGREEMENT TO ENTER INTO THIS AGREEMENT AND OBLIGATIONS EVIDENCED BY THE LOAN DOCUMENTS, THAT THE LENDER HAS ALREADY RELIED ON THESE WAIVERS AND WILL CONTINUE TO RELY ON EACH OF THESE WAIVERS IN RELATED FUTURE DEALINGS. THE WAIVERS IN THIS SECTION 23.12 ARE IRREVOCABLE, MEANING THAT THEY MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THESE WAIVERS APPLY TO ANY FUTURE RENEWALS, EXTENSIONS, AMENDMENTS, MODIFICATIONS, OR REPLACEMENTS IN RESPECT OF ANY AND ALL OF THE APPLICABLE LOAN DOCUMENTS. IN CONNECTION WITH ANY LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

23.13 SURVIVAL OF COVENANTS, ETC.

All covenants, agreements, representations and warranties made herein, in the Note, in any of the other Loan Documents or in any documents or in other papers delivered by or on behalf of Borrower pursuant hereto and thereto shall be deemed to have been relied upon by the Lender, notwithstanding any investigation heretofore or hereafter made by them, and shall survive the making of the advances, as herein contemplated, and shall continue in full force and effect so long as any amount due under this Agreement or the Note or any of the other Loan Documents remains outstanding or the Lender have any obligation to make any advances. All statements contained in any certificate or other paper delivered to Lender at any time by or on behalf of Borrower pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by Borrower hereunder.

23.14 NOTICES.

All notices, demands, consents, approvals, requests and other communications required or permitted to be given under this Agreement shall be in writing and shall be (a) delivered in person, (b) sent by certified mail, return receipt requested to the appropriate party at the address set out below, (c) sent by Federal Express, Express Mail or other comparable courier addressed

to the appropriate party at the address set out below, or (d) transmitted by facsimile transmission to the facsimile number for each party set forth below:

(a) if to Borrower:

North Cypress Medical Center Operating Company, Ltd.
6830 North Eldridge Parkway, Suite 406
Houston, Texas 77041
Attention: Robert A. Behar, M.D.
Phone: (713) 466-6040
Fax: (713) 466-6050

with a copy to:

Brennan Manna & Diamond, LLC
75 East Market Street
Akron, Ohio 44308
Attn.: Frank T. Sossi, Esq.
Phone: (330) 253-1804
Fax: (330) 253-1813

Petronella Law Firm, P.C.
8 Greenway Plaza, Suite 606
Houston, Texas 77046
Attn.: Richard Petronella, Esq.
Phone: (713) 965-0606
Fax: 713) 965-0676

Zimmerman, Axelrad, Meyer, Stern & Wise P.C.
3040 Post Oak Boulevard, Suite 1300
Houston, Texas 77056-6560
Attn.: Leonard Meyer, Esq.
Phone: (713) 552-1234
Fax: (713) 963-0859

(b) if to Lender:

MPT Finance Company, LLC
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attn.: General Counsel
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to:

Morris, Manning & Martin, LLP
1600 Atlanta Financial Center
3343 Peachtree Road, N.E.
Atlanta, Georgia 30326-1044
Attn.: Jeanna A. Brannon, Esq.
Phone: (404) 233-7000
Fax: (404) 365-9532

Each notice, demand, consent, approval, request and other communication shall be effective upon receipt and shall be deemed to be duly received if delivered in person or by a national courier 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. Rejection or other refusal by the addressee to accept, or the inability to deliver because of a changed address or changed facsimile number of which no notice was given, shall be deemed to be receipt of the notice, demand, consent, approval, request or communication sent. Any party shall have the right, from time to time, to change the address or facsimile number to which notice to it shall be sent by giving to the other party or parties at least ten (10) days prior notice of the changed address or changed facsimile number.

ARTICLE 25
ACKNOWLEDGEMENT OF INDEMNIFICATION PROVISIONS

BORROWER HEREBY ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT CONTAINS CERTAIN INDEMNIFICATION PROVISIONS (INCLUDING WITHOUT LIMITATION THOSE CONTAINED IN ARTICLE 22 HEREOF), WHICH IN CERTAIN CIRCUMSTANCES COULD INCLUDE AN INDEMNIFICATION BY BORROWER TO LENDER FROM CLAIMS OR LOSSES ARISING AS A RESULT OF LENDER'S OWN NEGLIGENCE.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as a sealed instrument as of the date first set forth above.

BORROWER:

NORTH CYPRESS MEDICAL CENTER
OPERATING COMPANY, LTD., a Texas limited partnership

By: North Cypress Medical Center Operating Company GP, L.L.C., a Texas limited liability company, its sole general partner

By: /s/ Robert A. Behar, M.D.

Robert A. Behar, M.D.,
Chairman of the Board

LENDER:

MPT FINANCE COMPANY, LLC, a Delaware limited liability company

By: MPT Operating Partnership, L.P., a Delaware limited liability company, its sole member

By: Medical Properties Trust, LLC, a Delaware limited liability company, its general partner

By: /s/ Edward K. Aldag

Print Name: Edward K. Aldag

Title: President

EXHIBIT A

Legal Description of Land

EXHIBIT B

Permitted Exceptions

EXHIBIT C

Title Requirements

1. Title Insurance Company Requirements. The maximum single risk (i.e., the amount insured under any one policy) by a title insurer may not exceed 25% of that insurer's surplus and statutory reserves. Reinsurance must be obtained by closing for any policy exceeding such amount.

2. Loan Policy Forms. Standard 1992 American Land Title Association ("ALTA") form of loan title insurance policy, or the 1970 (amended October 17, 1970) ALTA loan form policies must be used (or the equivalent forms available in the State).

3. Insurance Amount. The amount insured must equal at least the original principal amount of the Loan.

4. Named Insured. The named insured under the Title Policy must be substantially the same as the following: "MPT Finance Company, LLC, and its respective successors and assigns."

5. Creditors' Rights. Any "creditors' rights" exception or other exclusion from coverage for voidable transactions under bankruptcy, fraudulent conveyance, or other debtor protection laws or equitable principles must be removed by either an endorsement or a written waiver.

6. Arbitration. In the event that the form policy, which is utilized, includes a compulsory arbitration provision, the insurer must agree that such compulsory arbitration provisions do not apply to any claims by or on behalf of the insured. Please note that the 1987 and 1992 ALTA form loan policies include such provisions.

7. Date of Policy. The effective date of the Title Policy must be as of the date and time of the closing.

8. Legal Description. The legal description of the property contained in the Title Policy must conform to (a) the legal description shown on the survey of the property, and (b) the legal description contained in the Mortgage. In any event, the Title Policy must be endorsed to provide that the insured legal description is the same as that shown on the survey.

9. Easements. Each Title Policy shall insure, as separate parcels: (a) all appurtenant easements and other estates benefiting the property, and (b) all other rights, title, and interests of the borrower in real property under reciprocal easement agreements, access agreements, operating agreements, and agreements containing covenants, conditions,

and restrictions relating to the Project.

10. Exceptions to Coverage. With respect to the exceptions, the following applies:

a) Each Title Policy shall afford the broadest coverage available in the state in which the subject property is located.

b) The "standard" exceptions (such as for parties in possession or other matters not shown on public records) must be deleted.

c) The "standard" exception regarding tenants in possession under residential leases, should also be deleted. For commercial properties, a rent roll should be attached in lieu of the general exception.

d) The standard survey exception to the Title Policy must be deleted. Instead, a survey reading reflecting the current survey should be incorporated.

e) Any exception for taxes, assessments, or other lienable items must expressly insure that such taxes, assessments, or other items are not yet due and payable.

f) Any lien, encumbrance, condition, restriction, or easement of record must be listed in the Title Policy, and the Title Policy must affirmatively insure that the improvements do not encroach upon the insured easements or insure against all loss or damage due to such encroachment

g) The Title Policy may not contain any exception for any filed or unfiled mechanics' or materialmen's liens.

h) In the event that a comprehensive endorsement has been issued and any Schedule B exceptions continue to be excluded from the coverage provided through that endorsement, then a determination must be made whether such exceptions would be acceptable to Lender. In the event that it is determined that such exception is acceptable, a written explanation regarding the acceptability must be submitted as part of the delivery of the Loan Documents.

If Schedule B indicates the presence of any easements that are not located on the survey, the Title Policy must provide affirmative insurance against any loss resulting from the exercise by the holder of such easement of its right to use or maintain that easement. ALTA Form 103.1 or an equivalent endorsement is required for this purpose.

11. Endorsements. With respect to endorsements, the following applies:

a) Each Title Policy must include an acceptable environmental protection lien endorsement on ALTA Form 8.1. Please note that Form 8.1 may take exception for an entire statute, which contains one or more specific sections under which environmental protection liens could take priority over the Mortgage; provided, however, that such specific sections under which the lien could arise must also be referenced.

b) Each Title Policy must contain an endorsement, which provides that the insured legal description is the same as shown on the survey.

c) Each Title Policy must contain a comprehensive endorsement (ALTA Form 9) if a lien, encumbrance, condition, restriction, or easement is listed in Schedule B to the title insurance policy.

d) Lender may require the following endorsements where applicable and available:

-access	-due execution	-single tax lot
-address	-first loss	-subdivision
-assessments	-last dollar	-tie in
-assignment of leases and rents	-leasehold	-usury
-assignment of loan documents	-mineral rights	-zoning (ALTA 3.1 - with parking)
-contiguity	-mortgage tax	
-doing business	-reverter	
-nonimputation	-"Fairways"	

12. Other Coverages. Each Title Policy shall insure the following by endorsement or affirmative insurance to the extent such coverage is not afforded by the ALTA Form 9 or its equivalent in a particular jurisdiction:

a) that no conditions, covenants, or restrictions of record affecting the property:

(i) have been violated,
(ii) create lien rights, which prime the insured mortgage,
(iii) contain a right of reverter or forfeiture, a right of reentry, or power of termination, or
(iv) if violated in the future would result in the lien created by the insured mortgage or title to the property being lost, forfeited, or subordinated; and

b) that except for temporary interference resulting solely from maintenance, repair, replacement, or alteration of lines, facilities, or equipment located in easements and rights of way taken as certain exceptions to each Title Policy, such exceptions do not and shall not prevent the use and operation of the Property or the improvements as used and operated on the effective date of the Title Policy.

13. Informational Matters. The Policy must include, as an informational note, the following:

a) The recorded plat number together with recording information; and

b) The property parcel number or the tax identification number, as applicable.

14. Delivery of Copies. Legible copies of all easements, encumbrances, or other restrictions shown as exceptions on the Title Policy must be delivered with the first draft of the title commitment.

EXHIBIT D

Insurance Requirements

I. GENERAL REQUIREMENTS

The General Requirements set forth herein shall be applicable to the insurance requirements outlined below in Paragraphs II and III.

(A) RELATING TO INSURER.

All insurance coverages required by this Agreement must be provided by insurance companies acceptable to Lender that are rated at least an "A, VIII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of A or better. The aggregate amount of coverage provided by a single company must not exceed 5% of the company's policyholders' surplus. All insurance companies must be licensed and qualified to do business in the State.

Each insurance policy must (i) provide primary insurance without right of contribution from any other insurance carried by Lender, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim

against any insured party thereunder including Lender, (iii) permit Lender to pay premiums at Lender's discretion and (iv) as respects any third party liability claim brought against Lender obligate the insurer to defend Lender as an additional insured thereunder.

(B) RELATING TO DOCUMENTATION OF COVERAGE.

The original copy of each insurance policy required hereunder shall be furnished to Lender, 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. Borrower shall not submit a Certificate of Insurance in lieu of the certified copy of the policy. The original policy(ies) or certified copy of the policy(ies) must be delivered to Lender effective with the commencement of the Loan and furnished annually thereafter, prior to the expiration date of the preceding policy(ies).

(C) CANCELLATION AND MODIFICATION CLAUSE.

1. The insurer hereby agrees that its policy will not lapse, terminate, or be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lender has received not less than sixty (60) days' prior written notice thereof at the following address:

MPT Finance Company, LLC
Attention: Its President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

2. Notwithstanding the foregoing, in the event of cancellation due to non-payment, the insurer shall provide not less than ten (10) days' Notice of Cancellation to:

MPT Finance Company, LLC
Attention: Its: President
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242

II. TYPES OF INSURANCE

Borrower will at all times keep the Project insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar properties. Without limiting the generality of the foregoing, Borrower will obtain and maintain in effect the following amounts and types of insurance on the Project throughout the term of the Loan:

(A) "ALL RISKS" or "SPECIAL" FORM PROPERTY INSURANCE.

All Risks or Special Form Property insurance against loss or damage to the building and improvements, including but not limited to, perils of fire, lightning, water, wind, theft, vandalism and malicious mischief, plate glass breakage, and perils typically provided under an Extended Coverage Endorsement and other forms of broadened risk perils, and insured on a "replacement cost" value basis to the extent of the full replacement value of the Project. The deductible amount thereunder shall be borne by Borrower in the event of a loss and the deductible must not exceed $10,000 per occurrence. Further, in the vent of a loss, Borrower shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer and Borrower further agrees it will notify Lender of any loss in the amount of $25,000 or greater and that no claim at or in excess of $25,000 thereunder shall be settled without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed by Lender.

(B) FLOOD AND EARTHQUAKE INSURANCE. (Required only in the event that the property is in a flood plain or earthquake zone).

Insurance in an amount equal to the full replacement cost value of the Project, subject to no more than a $25,000 per occurrence, deductible. The policy shall include coverage for subsidence.

(C) LOSS OF EARNINGS INSURANCE.

Insurance against loss of earnings in an amount sufficient to cover not

less than 12 months' lost earnings and written in an "all risks" form, either as an endorsement to the insurance required under Paragraph II(A), or under a separate policy.

(D) WORKERS COMPENSATION INSURANCE.

Workers Compensation insurance covering all employees in amounts that are customary for Borrower's industry.

(E) LIABILITY INSURANCE.

COMMERCIAL GENERAL LIABILITY. Commercial General Liability in a primary amount of at least $5,000,000 per occurrence. Bodily injury for injury or death of any one person and $100,000 for Property Damage for damage to or loss of property of others, subject to a $10,000,000 annual aggregate policy limit for all Bodily Injury and Property Damage claims, occurring on or about the Land or in any way related to the Project including but not limited to any swimming pools or other recreational facility or areas that are located on the land or otherwise related to the Project. Such policy shall include coverages of a Broad Form nature, including, but not limited to, Explosion, Collapse and Underground (XCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

VEHICLE LIABILITY. Automobile and Vehicle Liability insurance coverage for all owned, non-owned, leased or hired automobiles and vehicles in a primary limit amount of $1,000,000 per occurrence for Bodily Injury: $100,000 per occurrence for Property Damage; subject to an annual aggregate policy limit of $1,000,000.

UMBRELLA LIABILITY. Umbrella Liability insurance in the minimum amount of $10,000,000 for each occurrence and aggregate combined single limit for all liability, with a $10,000 self-insured retention for exposure not covered in underlying primary policies. The Umbrella Liability policy shall name in its underlying schedule the policies of Professional Liability, Commercial General Liability, Garage Keepers Liability, Automobile Vehicle Liability and Employer's Liability under the Workers Compensation Policy

PROFESSIONAL LIABILITY. Professional Liability insurance for Borrower and any physician or other employee or agent of Borrower providing services at the Project in an amount not less than five million dollars ($5,000,000) per individual claim and ten million dollars ($10,000,000) annual aggregate.

(F) COMMERCIAL BLANKET FIDELITY BOND INSURANCE.

A Commercial Blank Bond covering all employees of Borrower, including its officers, and the individual owners of the insured business entity, whether a joint-venture, partnership, proprietorship or incorporated entity, against loss as a result of their dishonesty. Policy limit shall be in an amount of at least $1,000,000, subject to a deductible of no more than $10,000 per occurrence.

EXHIBIT E

Initial Budget

EXHIBIT F

Borrower's Certificate

MPT Finance Company, LLC
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attn: _____

RE: Application for Advance in connection with a $_____ loan

(#_____) to North Cypress Medical Center Operating Company, Ltd. ("Borrower").

1. Pursuant to that certain Construction Loan Agreement dated as of June 1, 2005 (the "Construction Loan Agreement") between Borrower and MPT Finance Company, LLC ("Lender"), Borrower hereby requests a loan advance as indicated on the Soft and Hard Cost Requisition attached hereto. We acknowledge that this amount is subject to inspection, verification, and available funds.

Funding Instructions

2. This Borrower's Certificate is to be utilized only in satisfaction of costs and charges with respect to the Project and Improvements thereon as shown on the Soft and Hard Cost Requisition Form, dated _____, attached hereto.

3. The Borrower agrees to provide, if requested by Lender, a Vendor Payee Listing showing the name and the amount currently due each party to whom Borrower is obligated for labor, material and/or services supplies. This information would be provided in support of the disbursements set forth in paragraph 2(a) hereof.

4. The Borrower also certifies and agrees that:

(a) It has complied with all duties and obligations required to date to be carried out and performed by it pursuant to the terms of the Construction Loan Agreement;

(b) No Event of Default as defined in the Construction Loan Agreement has occurred and is continuing nor any event, circumstance or condition which with notice or the passage of time or both would be an Event of Default; and

(c) All Change Orders or changes to the Schedule of Values have been submitted to and approved by Lender to the extent required under the Construction Loan Agreement;

(d) All funds previously disbursed have been used for the purposes as set forth in the Construction Loan Agreement;

(e) All outstanding claims for labor, materials and/or services furnished prior to this draw period have been paid or will be paid from the proceeds of this disbursement;

(f) All construction prior to the date of this Borrower's Certificate has been accomplished in accordance with the Plans and Specifications approved by Lender;

(g) All sums advanced by Lender will be used solely for the purpose of paying costs of the Project owing as shown on the attached Soft and Hard Cost Requisition and no disbursement requested hereunder has been the basis for any prior disbursement of the Loan;

(h) There are no liens outstanding against the Project or its equipment except for Lender's liens and security interests as agreed upon in the Construction Loan Agreement;

(i) The amount of undisbursed Loan proceeds and/or approved equity requirement remaining is sufficient to pay the cost of completing the Project in accordance with the Plans and Specifications and Budget approved by Lender as modified by

Lender-approved Change Orders;

(j) All representations and warranties contained in the Construction Loan Agreement are true and correct as of the date hereof; and

(k) The undersigned understands that this certification is made for the purpose of inducing Lender to make a disbursement to Borrower and that, in making such disbursement, Lender will rely upon the accuracy of the matters stated in this Certificate.

5. Disbursement of the Loan proceeds hereby requested are subject to the receipt by Lender, in those states where applicable, of a certificate from the issuing title company stating that no claims have been filed of record which adversely affects the title of Borrower to the Project, subsequent to the filing of the Mortgage.

6. The terms used in this Borrower's Certificate have the same meaning and definitions as those set forth in the Construction Loan Agreement.

7. The Borrower, or authorized signer, certifies that the statements made in this Borrower's Certificate and any documents submitted herewith and identified herein are true and has duly caused this Borrower's Certificate to be signed on its behalf by the Authorized Representative.

DATE: _____

NORTH CYPRESS MEDICAL CENTER
OPERATING COMPANY, LTD., a Texas limited partnership

By: North Cypress Medical Center Operating Company GP, L.L.C., a Texas limited liability company, its sole general partner

By: _____
Robert A. Behar, M.D.,
Chairman of the Board

EXHIBIT G

Soft and Hard Cost Requisition Form

[TO BE ATTACHED]

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

June 16, 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. 5 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 15, 2005