

- (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 JANUARY 6, 2005

PROSPECTUS

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 _____ shares of common stock and _____ 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 \$ _____ and \$ _____ per share. We intend to apply to list our common stock on the New York Stock Exchange under the symbol "MPW."

SEE "RISK FACTORS" BEGINNING ON PAGE 15 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 contract or under non-binding letters of intent 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 are currently leased to only two tenants, both of which were recently organized and have limited or no operating histories, and the failure of either 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 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 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.
- Common stock eligible for future sale, including up to 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 \$ 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 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

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 _____ shares of common stock and that the common stock to be sold in this offering is sold at \$ _____ 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 experienced 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 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 facilities, consisting of six operating facilities acquired in July and August of 2004 for an aggregate purchase price of \$127.4 million, including acquisition costs, from Care Ventures, Inc. and two facilities that are under development.

We focus on acquiring and developing rehabilitation hospitals, long-term acute care hospitals, regional and community hospitals, women's and children's hospitals 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.

Industry sources indicate 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.medicalproptiestrust.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 eight healthcare facilities, six of which are in operation and two of which are under development. The six facilities in operation, which consist of four rehabilitation hospitals and two long-term acute care hospitals, are leased to Vibra Healthcare, LLC, or Vibra, formerly known as Highmark Healthcare, LLC, a recently formed specialty healthcare provider with operations in five states. We refer to these facilities in this prospectus as the Vibra Facilities. The facilities under development, an acute care community hospital and an adjacent medical office building, are leased to Stealth, L.P., a recently organized healthcare facility operator with no current operations. All of the leases for the hospitals currently in operation have initial terms of 15 years. The initial lease term for the acute care community hospital under development began when construction commenced and will end 15 years after completion of construction. The initial lease term for the adjacent medical office building began when construction commenced and will end 10 years after completion of construction. 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 table sets forth information, as of December 31, 2004, regarding our current portfolio of facilities:

	2005	2006	2004
CONTRACTUAL			
CONTRACTUAL NUMBER OF ANNUALIZED BASE			
BASE LOCATION TYPE			
TENANT BEDS(1) BASE RENT RENT(2) RENT(2)			

Operating Bowling Green, Kentucky.....			
Rehabilitation Vibra hospital Healthcare, LLC(4)	60	\$	
	3,916,695	\$	
	4,294,990	\$	
4,790,118 Marlton, New Jersey(5).....			
Rehabilitation(6) Vibra hospital Healthcare, LLC(4)	76	3,401,791	
	3,730,354	4,160,390	
Fresno, California...			
Rehabilitation Vibra hospital Healthcare, LLC(4)	62	1,914,829	
	2,099,773	2,341,835	
Thornton, Colorado...			
Rehabilitation Vibra hospital Healthcare, LLC(4)	117	870,377	
	933,200	1,064,471	
New Bedford, Long-term Vibra Massachusetts.....			
acute care Healthcare, hospital LLC(4)	90	2,262,979	
	2,426,320	2,767,624	
Kentfield, California.....			
Long-term Vibra acute care Healthcare, hospital LLC(4)	60	783,339	
	858,998	958,024	---


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SUBTOTAL.....
-- -- 465
$13,150,010
$14,343,635
$16,082,462 --- ----
-----
----- Under
Development Houston,
Texas..... Acute
care community
105(8) $ -- $
772,196 $ 4,652,481
hospital(7) Stealth,
L.P. Houston,
Texas..... Medical
office n/a --
670,840 2,025,936
building(10)
Stealth, L.P. -----
-----
SUBTOTAL.....
-- -- 105 -- $
1,443,036 $
6,678,417 --- ----
-----
TOTAL.....
-- -- 570
$13,150,010
$15,786,671
$22,760,879 ===
=====
=====
=====
GROSS PURCHASE PRICE
OR PROJECTED LEASE
LOCATION DEVELOPMENT
COST(3) EXPIRATION -
-----
----- Operating
Bowling Green,
Kentucky.....
$ 38,211,658 July
2019 Marlton, New
Jersey(5).....
32,267,622 July 2019
Fresno,
California...
18,681,255 July 2019
Thornton,
Colorado...
8,491,481 August
2019 New Bedford,
Massachusetts.....
22,077,847 August
2019 Kentfield,
California.....
7,642,332 July 2019
-----
SUBTOTAL.....
$127,372,195 -- ----
----- Under
Development Houston,
Texas..... $
42,600,000 October
2020(9) Houston,
Texas.....
20,500,000 August
2015(11) -----
-
SUBTOTAL.....
$ 63,100,000 -- ----
-----
TOTAL.....
$190,472,195 --
=====

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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. For facilities under development, assumes completion of construction in October 2005 for the acute care community hospital and in August 2005 for the medical office building. Does not include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.
- (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 through a ground lease on the property.
- (6) Thirty of the 76 beds are pediatric rehabilitation beds operated by HBA Management, Inc.
- (7) Expected to be completed in October 2005.
- (8) 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.
- (9) 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 acute care community hospital from us at a 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.
- (10) Expected to be completed in August 2005.
- (11) 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 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.

LOANS AND FEES RECEIVABLE

In connection with the acquisition of the facilities in our current portfolio that are in operation, we have made secured loans to Vibra, the parent entity of our current tenants in those facilities, to enable Vibra to acquire the operations at these locations. These loans total approximately \$41.4 million and are to be repaid over 15 years. In connection with these transactions, Vibra has agreed to pay us commitment fees of approximately \$1.5 million to be paid over 15 years. Payment of the acquisition loans and commitment fees is secured by pledges of membership interests in Vibra and its subsidiaries that are our tenants and by the receivables of each of these entities and are guaranteed by affiliates of the tenant. The loans and the commitment fees accrue interest at an annual rate of 10.25% with interest only for the first three years and the principal balances amortizing over the remaining 12 year period. We have also made secured loans totalling approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes. These working capital loans, which we expect will be repaid on or before January 31, 2005, are secured by pledges of membership interests in Vibra and its subsidiaries and by the receivables of each of these entities, and are guaranteed by affiliates of the tenant. Any of these loans may be prepaid at any time without penalty.

In connection with the development of the Houston acute care community hospital and adjacent medical office building, Stealth L.P., or Stealth, has agreed to pay us a commitment fee in the estimated amount of \$932,125, to be paid over 15 years following completion of the hospital facility. The commitment fee is based on a percentage of total development costs, and may be adjusted upon completion of construction of the Houston facilities. 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 advanced 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 will pay us a project inspection fee for construction coordination services of \$100,000 in the case of the acute care community hospital and \$50,000 in the case of the adjacent medical office building. 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 hospital facility 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.

ACQUISITION FACILITIES

We intend to use a portion of the net proceeds of this offering to expand our portfolio by acquiring or developing additional net-leased healthcare facilities, which we refer to in this prospectus as our Acquisition Facilities. We expect the leases for each of these facilities to provide for contractual base rent and an annual rent escalator, and some of the leases may provide for percentage rent. The following table

and the satisfaction of customary closing conditions.

In addition to the Acquisition Facilities under contract that we consider probable, as of _____, 2005, we had _____ Acquisition Facilities under letters of intent. The Acquisition Facilities under letters of intent have an aggregate gross purchase price and estimated development costs totaling approximately \$ _____ million. The letters of intent are non-binding, and we cannot assure you that we will acquire or develop any of the Acquisition Facilities under letters of intent because each of these transactions is subject to a variety of conditions, including (i) the willingness of the parties to proceed with the contemplated transaction, (ii) the negotiation of mutually-acceptable binding definitive agreements, (iii) our completion of satisfactory due diligence and (iv) the satisfaction of customary closing conditions.

We have also identified a number of opportunities to acquire or develop additional Acquisition 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. None of these potential acquisitions or developments is under a letter of intent, and we cannot assure you that we will complete any of these potential acquisitions or developments.

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 60% of the aggregate cost 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.

We have entered into a \$75 million secured credit facility with Merrill Lynch Capital with a term of three years for acquisition and development of additional facilities and other working capital needs. The facility bears interest at a rate of LIBOR (2.42% at December 31, 2004) plus 300 basis points. We may borrow under the facility an amount up to 60% of our costs to acquire the facilities used as collateral. The credit facility initially is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. We have also entered into construction loans in an aggregate amount of \$43.4 million with Colonial Bank to fund construction costs for our acute care community hospital and adjacent medical office building being developed in Houston, Texas. Each construction loan has a term of up to 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the facility. The loans are secured by a mortgage on the acute care community hospital and the medical office building, as well as an assignment of rents and leases on those

facilities, and require us to comply with certain financial covenants. The loans bear interest at LIBOR (2.42% at December 31, 2004) plus 225 basis points during the construction period and LIBOR plus 250 basis point thereafter. The Colonial Bank loans are cross-defaulted.

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. 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 Acquisition 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 15 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 facilities we have under contract or under non-binding letters of intent 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 to repay loans we have made or have committed to make, in an aggregate amount of approximately \$49.2 million, or to pay us commitment and other fees that they are obligated to pay, in an aggregate amount of approximately \$2.6 million, would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.
- Our facilities are currently leased to only two tenants, both of which were recently organized and have limited or no operating histories, and the failure of either 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 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 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 \$118.4 million, \$56 million of which was outstanding as of December 31, 2004. 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.
- 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 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.
- Under the terms of our engagement agreement with Friedman, Billings, Ramsey & Co., Inc., we may be precluded from engaging investment banking firms other than Friedman, Billings, Ramsey & Co., Inc. for a period of

time for future financing and other strategic transactions and we

may be affected by conflicts of interest that arise out of Friedman, Billings, Ramsey Group, Inc.'s ownership of our common stock.

- If you purchase common stock in this offering, you will experience immediate dilution of approximately \$ 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% of U.S. gross domestic product in 2002. 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 2002 alone, \$22.4 billion was spent on the construction of healthcare facilities, according to CMS. This represented a 17% increase over the \$19.2 billion in healthcare construction spending for 2001. 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 recovery. 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 are or will be master-leased and generally adjacent to our other targeted healthcare facilities.

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 553,908 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 which we formed in January 2004, will operate as our 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, and have been or will be used to acquire our six existing facilities, develop two new facilities, lend funds to one of our tenants, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately \$127.4 million to acquire six existing facilities, have loaned \$47.6 million to Vibra to acquire the operations at our current facilities that are in operation and for working capital purposes and have funded approximately \$18.6 million of a projected total of approximately \$62.3 million of development costs for the two facilities under development. There are approximately 295 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)

- - - - -

- (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 Houston medical office building and the Houston acute care community hospital in our portfolio that are under development. 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 are offering up to 40% of the limited partnership interests in MPT West Houston MOB, L.P. to physicians. Stealth, L.P., the tenant of the Houston acute care community hospital under development, 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 are 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 all of the shares of common stock issued to Friedman, Billings, Ramsey & Co., Inc. for financial advisory services; and
- 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.

If we default on our obligation to file or maintain the effectiveness of the resale registration statement within 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 _____ shares of our common stock in this offering to be sold by _____ selling stockholders.

RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

The Code imposes limitations on the concentration of ownership of REIT shares. In order to assist us in complying with these limitations, our charter generally prohibits any stockholder from actually or constructively owning more than 9.8% of our outstanding shares of common stock. 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

On September 2, 2004, we declared a distribution of \$0.10 per share of common stock, payable to stockholders of record as of September 16, 2004. We paid this distribution on October 11, 2004. On November 11, 2004, we declared a distribution of \$0.11 per share of common stock, payable on January 11, 2005 to stockholders of record as of December 16, 2004. 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 OFFERING

Shares of common stock offered by us(1)..... shares

Shares of common stock offered by selling stockholders..... shares

Shares of common stock to be outstanding after this offering(1)(2)..... 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 \$. We intend to use the net proceeds as follows:

- approximately \$ to fund the purchase or development of our Acquisition Facilities that we have under contract as of the date of this prospectus and that we consider probable of acquisition or development;
- approximately \$ to repay certain indebtedness under a secured credit facility; and
- the remainder for general corporate and working capital purposes, including possible future acquisitions or development of net-leased facilities.

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 shares of common stock that may be issued by us upon exercise of the underwriters' overallotment option.
- (2) Based on shares outstanding as of , 2005. Includes 114,500 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) 12,500 shares of common stock issuable in October 2007 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) 564,180 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 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 summary selected financial and operating data on an historical and pro forma basis. Our summary selected historical balance sheet information at December 31, 2003, and the

historical statement of operations and other data for the period from inception (August 27, 2003) to December 31, 2003, 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 at September 30, 2004 and the historical statement of operations and other data for the nine months ended September 30, 2004 have been derived from the unaudited historical balance sheet at September 30, 2004 and from the unaudited statement of operations for the nine months ended September 30, 2004 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 September 30, 2004 are presented as if the completion of our Houston acute care community hospital and medical office building, and completion of this offering and application of the net proceeds had occurred on September 30, 2004, and, in the case of our December 31, 2003 unaudited pro forma consolidated balance sheet, as if our April 2004 private placement, our acquisition of the current portfolio of facilities, the completion of our Houston acute care community hospital and medical office building and completion of this offering and application of the net proceeds had occurred on December 31, 2003, and the unaudited pro forma consolidated statement of operations and other data for the nine months ended September 30, 2004 are presented as if our acquisition of the current portfolio of facilities, the completion of our Houston acute care community hospital and medical office building, and completion of this offering and application of the net proceeds had occurred on the first day of the period presented and, in the case of our December 31, 2003 unaudited pro forma consolidated statement of operations, as if our April 2004 private placement, our acquisition of the current portfolio of facilities, the completion of our Houston acute care community hospital and medical office building and completion of this offering and application of the net proceeds had occurred on the first day of the period presented. 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 PERIOD FROM INCEPTION
FOR THE NINE MONTHS ENDED
(AUGUST 27, 2003) THROUGH
SEPTEMBER 30, 2004 DECEMBER 31,
2003 -----

HISTORICAL PRO FORMA HISTORICAL
PRO FORMA -----

OPERATING INFORMATION: Revenues
Rent

income.....	\$		
4,016,219	\$	19,452,336	-- \$
8,953,403		Interest income from	
loans.....	1,022,853	3,865,034	
--	1,778,974	Total	
Revenues.....			
5,039,072		23,317,370	--
10,732,377		Operating expenses	
		Depreciation and	
		amortization....	928,356
3,314,903	--	1,525,764	General
		and administrative.....	
3,259,657	4,404,657	992,418	
		992,418	Total operating
		expenses.....	4,573,838
8,175,189	1,023,276	2,549,040	
		Operating income	
(loss).....	465,234		
15,142,181	(1,023,276)	8,183,337	
		Net other	
income.....	635,088		
635,088	--	--	Net income
(loss).....			
1,065,322	15,742,269	(1,023,276)	
8,183,337		Net income (loss) per	
		share, basic and	
		diluted.....	
0.06	(0.63)	Weighted average	
		shares	
outstanding.....			
	17,033,911	1,630,435	

AS OF AS OF SEPTEMBER 30, 2004
 DECEMBER 31, 2003 -----

-- HISTORICAL PRO FORMA HISTORICAL
 PRO FORMA -----

----- BALANCE
 SHEET INFORMATION: Net investment
 in real estate..... \$126,443,839
 \$188,778,142 \$ -- \$189,706,498 --
 Acquisition and development
 costs... 16,225,907 21,148 166,301
 166,301 Total real estate and real
 estate related
 assets.....
 142,669,746 188,799,290 166,301
 189,872,799 Cash and cash
 equivalents..... 50,418,213
 231,680,383 100,000 224,673,231
 Loans.....
 48,223,885(1) 49,306,010(1) --
 50,224,069(1) Total
 assets.....
 243,678,906 472,152,745 468,133
 464,770,099 Total
 debt..... -- -
 - 100,000 100,000 Total
 liabilities.....
 11,717,373 15,668,613 1,489,779
 6,767,503 Total shareholders'
 equity..... 230,961,533
 455,484,132 (1,021,646) 457,002,596
 Total liabilities and shareholders'
 equity.....
 243,678,906 472,152,745 468,133
 464,770,099

FOR THE PERIOD FROM INCEPTION
 FOR THE NINE MONTHS ENDED
 (AUGUST 27, 2003) THROUGH
 SEPTEMBER 30, 2004 DECEMBER 31,
 2003 -----

-- HISTORICAL PRO FORMA
 HISTORICAL PRO FORMA -----

----- OTHER
 INFORMATION: Funds from
 operations(2)..... \$
 1,993,678 \$ 19,057,172
 \$(1,023,276) \$ 9,709,101
 Adjusted funds from
 operations(3).....
 851,492 14,493,718 (1,023,276)
 7,531,942 Cash Flows: Provided
 by operating
 activities.....
 2,146,626 368,133 Used for
 investing activities...
 (185,241,642) (166,301)
 Provided by financing
 activities.....
 233,388,729 (101,832)

(1) Includes \$1.5 million in commitment fees payable to us by Vibra. Includes loans made by us through September 30, 2004. We loaned Vibra an additional \$2 million on October 1, 2004 for working capital purposes.

(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.

- (3) We calculate adjusted funds from operations, or AFFO, by subtracting from or adding to FFO (i) straight-lining of rents, (ii) any recurring expenditures that, while capitalized and amortized for purposes of generally accepted accounting principles, are required to maintain our properties' revenue-generating characteristics and (iii) amortization of deferred costs. We expect that the adjustments described in (ii) and (iii) will not be significant. AFFO is an operating measure that we use to analyze our results of operations based on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments. We believe that this is a useful supplemental measure because our leases generally have significant contractual escalations of base rents and therefore result in recognition of rental income that is not collected until future periods and costs that are deferred. Our calculation of AFFO may not be comparable to AFFO or similarly titled measures reported by other REITs. AFFO should not be considered as an alternative to net income (loss) (calculated pursuant to generally accepted accounting principles) as an indicator of our results of operations or to cash flow from operating activities (calculated pursuant to generally accepted accounting principles) as an indicator of our liquidity.

The following is a reconciliation among net income, FFO and AFFO for the period from inception (August 27, 2003) through December 31, 2003 and for the nine months ended September 30, 2004:

FOR THE PERIOD FROM INCEPTION FOR THE NINE MONTHS (AUGUST 27, 2003) ENDED THROUGH SEPTEMBER 30, 2004			
DECEMBER 31, 2003	HISTORICAL PRO FORMA HISTORICAL		PRO FORMA
	----- Funds from operations: Net		
income.....			
\$ 1,065,322	\$15,742,269	\$(1,023,276)	\$ 8,183,337
	Depreciation and		
amortization.....			928,356
3,314,903	-- 1,525,764		-----
	----- Funds from		
operations.....			\$
1,993,678	\$19,057,172	\$(1,023,276)	\$ 9,709,101
=====	=====	=====	=====
	Adjusted funds from operations: Funds from		
operations.....			\$
1,993,678	\$19,057,172	\$(1,023,276)	\$ 9,709,101
	Straight-line rents effect on		
revenues.....	(1,142,186)	(4,563,454)	
-- (2,177,159)			-----
	----- Adjusted funds from		
operations.....			\$ 851,492
\$14,493,718	\$(1,023,276)	\$ 7,531,942	=====
	=====	=====	=====

RISK FACTORS

An investment in our common stock involves a number of risks. The risks described below represent the risks that we believe are material as of the date of this prospectus that you should carefully consider before making an investment decision. If any of these risks occur, our business, liquidity, financial condition and results of operations could be materially and adversely affected, in which case the price of our common stock could decline significantly and you could lose all or a part of your investment. The risk factors described below are not the only risks that may affect us. Additional risks and uncertainties not presently known to us, or not identified below, may also materially adversely affect our business, liquidity, financial condition and results of operations.

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, competition with established businesses and lack of revenues and financing. 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 acquire or develop additional net-leased facilities. 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 and 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 ACQUISITION FACILITIES WE HAVE UNDER CONTRACT, 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. There can be no assurance that we will acquire or develop any of the Acquisition Facilities under contract, because each of these transactions is subject to a variety of conditions, including our completion of satisfactory due diligence and the satisfaction of customary closing conditions. We have incurred losses of \$550,923 in connection with an acquisition 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 BE UNABLE TO ACQUIRE OR DEVELOP ANY OF THE ACQUISITION FACILITIES WE HAVE UNDER NON-BINDING LETTERS OF INTENT OR 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.

As of _____, 2005, we had entered into non-binding letters of intent for the acquisition or development of facilities having an estimated aggregate gross purchase price or development cost of approximately \$ _____ million and we have identified numerous other facilities that we believe would be suitable candidates for acquisition or development; however, none of these facilities is under a binding contract and 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 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. 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. 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. 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.

WE ARE DEPENDENT ON OUR TENANTS, BOTH OF WHICH ARE RECENTLY ORGANIZED AND HAVE LIMITED OR NO OPERATING HISTORIES, FOR REPAYMENT OF LOANS MADE TO ACQUIRE OPERATIONS AND FOR WORKING CAPITAL, AND FAILURE BY THESE TENANTS TO MEET THEIR OBLIGATIONS TO US 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 facilities in our current portfolio that are in operation, our taxable REIT subsidiary has made secured loans to Vibra in an aggregate amount of approximately \$47.6 million to acquire the operations at the Vibra Facilities and for working capital. In connection with these transactions, Vibra has also agreed to pay us commitment fees of approximately \$1.5 million. Payment of these loans and commitment fees is secured by pledges of equity interests in Vibra and its subsidiaries that are tenants of ours and by the receivables of each of those entities. If Vibra defaulted on these loans or fee obligations, 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 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 are dependent upon the ability of these two tenants to repay these loans and fees. Failure by these tenants 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 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.

Our existing tenants 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 ARE CURRENTLY LEASED TO ONLY TWO TENANTS, AND FAILURE OF EITHER OF THESE TENANTS TO MEET ITS 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 facilities we have under development are currently leased to Vibra and Stealth. These tenants are recently organized, have limited or no operating histories and Vibra was dependent on us for an aggregate amount of \$47.6 million in loans to acquire operations at the facilities and for initial working capital needs. As of September 30, 2004 Vibra had a deficit in owner's equity, limited working capital and a significant amount of its revenue is required to meet its interest expense. Unless it is able to refinance debt with lower cost loans, it will have limited cash flow for capital expenditures and payment of rent to us. Stealth had approximately \$5.9 million in equity as of October 31, 2004, an amount that its management believes is sufficient to operate its business, but will have substantial pre-opening and start-up costs upon completion of construction. We cannot assure you that, should its equity be insufficient to cover its costs, it could access additional debt or equity financing. Guarantors of our leases with these two tenants may not have sufficient assets to cover our losses under these leases. If either of these tenants were to experience financial difficulties, the tenant may not be able to pay its rent, which 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 Acquisition Facilities will face competition from other nearby facilities that provide services comparable to those offered at our facilities and Acquisition Facilities. 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 Acquisition Facilities. In addition, competing healthcare facilities located in the areas served by our facilities and Acquisition Facilities may provide healthcare services that are not available at our facilities and Acquisition Facilities. 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 60% of our aggregate facility acquisition and development costs. However, we may modify our target debt level at any time without stockholder approval. We cannot assure you that our use of financial leverage will prove to be beneficial. We have entered into a loan agreement with Merrill Lynch Capital for a \$75 million secured credit facility. We have also entered into loan agreements with Colonial Bank for construction loans in an aggregate amount of \$43.4 million. As of December 31, 2004, we had \$56 million of long-term debt outstanding. 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 our facilities under construction in Houston, Texas, respectively. Some of our other borrowings in the future may be secured by our Acquisition Facilities. 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 \$ 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 TENANTS AND PROSPECTIVE TENANTS MAY HAVE AN OPTION TO PURCHASE THE FACILITIES WE LEASE TO THEM WHICH COULD DISRUPT OUR OPERATIONS.

Our tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. 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 Houston acute care community hospital under development, owns a 6% limited partnership interest in MPT West Houston Hospital, L.P., which owns the acute care community hospital under development. We are offering to physicians up to 40% of the limited partnership interests in MPT West Houston MOB, L.P., the entity that owns our Houston medical office building under development. We may offer limited liability company and limited partnership interests to tenants and subtenants 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 the potential risk 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 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 an acute care community hospital and an adjacent medical office building in Houston, Texas which we expect to complete in 2005. We may develop additional 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 and other required governmental permits and authorizations, which could result in increased costs 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.

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 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 interest 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, the tenant of our medical office building under development, which then owned the property on which the medical office building is 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.

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. 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 our interest in one of our facilities by acquiring a leasehold interest in the land on which the facility is located rather than an ownership interest in the facility, 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, transfers of operations of healthcare facilities are subject to regulatory approvals not required for 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 licensure, fines and loss of 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 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.

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 lease 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 RENT 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 one of our tenants could jeopardize the tenant's ability to operate a facility or to make rent payments, thereby potentially adversely affecting us.

In the past several years, both 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.

In connection with Vibra's acquisition of the operations at the Vibra facilities, Vibra accepted 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 pay us rent. 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 investment in specialty hospitals imposed by the Medicare Prescription Drug, Improvement and Modernization Act. We do not currently own any specialty hospitals within the statute's definition but may acquire specialty hospitals in the future. 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 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. In order to assist us in complying with this limitation and preserving our REIT qualification, 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 and R. Steven Hamner 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. William G. McKenzie, our vice chairman of the board, is president and chief executive officer of

an organization which operates acute care hospitals. In the future, we may develop a facility in which Mr. McKenzie's organization is the tenant. Our aggregate investment in this facility could be as much as \$20 million. There are no active negotiations, letters of intent or contracts related to the development of a facility in which Mr. McKenzie's organization is the owner or the tenant. We may recruit other persons with experience in the healthcare industry to join our board or management team who have financial interests in healthcare facilities we intend to acquire, develop or lease. 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 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 and McKenzie), 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 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.

In connection with the acquisition of the facilities in our current portfolio, our taxable REIT subsidiary has made loans to Vibra in an aggregate amount of approximately \$41.4 million to acquire the operations at the Vibra Facilities. Our taxable REIT subsidiary also has made a loan of approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes. Those loans bear interest at an annual rate of 10.25%. Our operating partnership loaned the funds to our taxable REIT subsidiary to make these loans. The loans from our operating partnership to our taxable REIT subsidiary bear 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 intend to apply 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. Currently, certain shares of our common stock are eligible for trading on The Portal(SM) Market, a subsidiary of The Nasdaq National Market, Inc., which permits secondary sales of eligible securities to qualified institutional buyers in accordance with Rule 144A under the Securities Act. The last trade of our common stock on The Portal(SM) Market occurred on December 28, 2004 at a price of \$10.25 per share, which 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 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. 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 _____ shares of 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 \$ _____ per share, if you purchase common stock in this offering, you will experience immediate dilution of approximately \$ _____ in 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 _____ % of our funding since inception but will own only _____ % of our fully diluted equity interests.

UNDER THE TERMS OF OUR ENGAGEMENT AGREEMENT WITH FRIEDMAN, BILLINGS, RAMSEY & CO., INC., WE MAY BE PRECLUDED FROM ENGAGING INVESTMENT BANKING FIRMS OTHER THAN FRIEDMAN, BILLINGS, RAMSEY & CO., INC. FOR A PERIOD OF TIME FOR FUTURE FINANCING AND OTHER STRATEGIC TRANSACTIONS AND WE MAY BE AFFECTED BY CONFLICTS OF INTEREST THAT ARISE OUT OF FRIEDMAN, BILLINGS, RAMSEY GROUP, INC.'S OWNERSHIP OF OUR COMMON STOCK.

We have relationships with Friedman, Billings, Ramsey & Co., Inc., an underwriter in this offering. Pursuant to our engagement letter with Friedman, Billings, Ramsey & Co., Inc. dated November 13, 2003, Friedman, Billings, Ramsey & Co., Inc. has the right until April 2006 to serve in the following capacities:

- 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.

The engagement letter with Friedman, Billings, Ramsey & Co., Inc. may preclude us for a certain period 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.

In addition, Friedman, Billings, Ramsey Group, Inc., the parent of Friedman, Billings, Ramsey & Co., Inc., is currently our largest stockholder. Friedman, Billings, Ramsey Group, Inc., directly or indirectly through affiliates, beneficially owned approximately 11% of our outstanding common stock as of December 31, 2004, and will own approximately % of our outstanding common stock upon completion of this offering. Accordingly, Friedman, Billings, Ramsey Group, Inc. has the ability to influence the outcome of any vote by our stockholders on matters submitted to our stockholders for approval, including decisions relating to the election of our board of directors and certain strategic transactions. The interests of Friedman, Billings, Ramsey Group, Inc. may conflict with our interests or those of our other stockholders.

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 \$. We intend to use the net proceeds as follows:

- approximately \$ to fund the purchase or development of our Acquisition Facilities that we have under contract as of the date of this prospectus and that we consider probable acquisitions or developments;
- approximately \$ million to repay indebtedness incurred under a secured credit facility; and
- the remainder for general corporate and working capital purposes, including possible future acquisitions or developments of net-leased facilities.

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.

Our secured credit facility with Merrill Lynch bears interest at a rate of LIBOR (2.42% at December 31, 2004) plus 300 basis points. This credit facility is secured by the six facilities we have leased to Vibra and matures on December 31, 2007. We are required to pay an exit fee of 1% of the total loan amount if the facility is paid down to below \$40,000,000 during the first 18 months of the facility's term. After that time, 100% of the loan may be prepaid without penalty.

CAPITALIZATION

The following table sets forth:

- our actual capitalization as of September 30, 2004; and
- our pro forma capitalization, as adjusted to give effect to (i) acquisition of our Acquisition Facilities under contract that we consider probable of completion, and (ii) the sale of shares of common stock in this offering at an assumed public offering price of \$ per share and application of the net proceeds as described in "Use of Proceeds."

AS OF SEPTEMBER 30, 2004	
PRO FORMA, AS ADJUSTED FOR ACTUAL THIS OFFERING	
----- LONG TERM DEBT AND LOANS	
PAYABLE.....	\$ -- \$ --
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; shares issued and	
outstanding, as	
adjusted(1).....	26,083 -- Additional paid in
capital.....	233,501,691 --
	Accumulated
deficit.....	
(2,566,240) --	Total
stockholders' equity.....	230,961,533 -- Total
capitalization.....	
\$230,961,533 \$ --	=====

-

(1) Includes 114,500 shares of restricted common stock to be awarded upon completion of this offering. Excludes (i) 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) 12,500 shares of common stock issuable in October 2007 pursuant to deferred stock units awarded under our equity incentive plan to our independent directors and (v) 564,180 shares of common stock available for future awards under our equity incentive plan.

DILUTION

NET TANGIBLE BOOK VALUE

As of September 30, 2004, we had a net tangible book value of approximately \$ million, or approximately \$ 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 \$ per share, and our receipt of approximately \$ million in net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us;
- the issuance of 114,500 shares of restricted stock to our senior management team and other employees 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 September 30, 2004 would have been approximately \$ million (includes the proceeds to be received from the exercise of options for common stock), or \$ per share of common stock. This amount represents an immediate increase in net tangible book value of \$ per share to existing stockholders prior to this offering and an immediate dilution in pro forma net tangible book value of \$ per share to investors in this offering. The following table illustrates this per share dilution:

Initial public offering price per share.....	
Net tangible book value per share as of September 30, 2004(1).....	
Increase in pro forma net tangible book value per share to existing stockholders attributable to this offering(2).....	
Decrease in pro forma net tangible book value per share to existing stockholders attributable to the issuance of restricted stock.....	
Increase in pro forma net tangible book value per share to existing stockholders attributable to the exercise of stock options and a warrant.....	
Pro forma net tangible book value per share after this offering(3).....	-----
Dilution in pro forma net tangible book value per share to new investors(4).....	=====

- (1) Net tangible book value per share of common stock is determined by dividing net tangible book value as of September 30, 2004 (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 underwriting discounts, commissions and other expenses of this offering.
- (3) Based on pro forma net tangible book value attributable to common stockholders of approximately \$ divided by the sum of shares of our common stock to be outstanding, the issuance of 114,500 shares of restricted stock, the issuance of 135,000 shares of common stock issuable upon the exercise of outstanding stock options and warrants and the issuance of 12,500 shares of common stock underlying deferred stock units awarded to our independent directors.

(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 September 30, 2004, on the pro forma basis discussed above but excluding options and warrants to purchase 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 \$ 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 \$ per share, and we have not deducted estimated underwriting discounts and commissions and estimated offering expenses in our calculations.

CASH/TANGIBLE BOOK SHARES	
ISSUED VALUE CASH/TANGIBLE -	BOOK VALUE
-----	-----
NUMBER PERCENTAGE AMOUNT	NUMBER PERCENTAGE AMOUNT
PERCENTAGE PER SHARE -----	PERCENTAGE PER SHARE -----
-----	-----
----- Existing	----- Existing
stockholders..... New	stockholders..... New
investors in the	investors in the
offering.....	offering.....
Total.....	Total.....

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.

On September 2, 2004, we declared a quarterly distribution of \$0.10 per share of common stock, payable to stockholders of record as of September 16, 2004. We paid this distribution on October 11, 2004. On November 11, 2004, we declared a distribution of \$0.11 per share of common stock, payable on January 11, 2005 to stockholders of record as of December 16, 2004. We cannot assure you that we will have cash available for future quarterly distributions at these levels, or at all. See "Risk Factors."

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 at December 31, 2003, and the historical statement of operations and other data for the period from inception (August 27, 2003) to December 31, 2003, 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 at September 30, 2004 and the historical statement of operations and other data for the nine months ended September 30, 2004 have been derived from the unaudited historical balance sheet at September 30, 2004 and from the unaudited statement of operations for the nine months ended September 30, 2004 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 September 30, 2004 are presented as if the completion of our Houston acute care community hospital and medical office building, and completion of this offering and application of the net proceeds had occurred on September 30, 2004, and, in the case of our December 31, 2003 unaudited pro forma consolidated balance sheet, as if our April 2004 private placement, our acquisition of the current portfolio of facilities, the completion of our Houston acute care community hospital and medical office building and completion of this offering and application of the net proceeds had occurred on December 31, 2003, and the unaudited pro forma consolidated statement of operations and other data for the nine months ended September 30, 2004 are presented as if our acquisition of the current portfolio of facilities, the completion of our Houston acute care community hospital and medical office building, and completion of this offering and application of the net proceeds had occurred on the first day of the period presented and, in the case of our December 31, 2003 unaudited pro forma consolidated statement of operations, as if our April 2004 private placement, our acquisition of the current portfolio of facilities, the completion of our Houston acute care community hospital and medical office building and completion of this offering and application of the net proceeds had occurred on the first day of the period presented. 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 PERIOD FROM INCEPTION
 FOR THE NINE MONTHS ENDED
 (AUGUST 27, 2003) THROUGH
 SEPTEMBER 30, 2004 DECEMBER 31,
 2003 -----

HISTORICAL PRO FORMA HISTORICAL
 PRO FORMA -----

OPERATING INFORMATION: Revenues
 Rent
 income..... \$
 4,016,219 \$ 19,452,336 \$ -- \$
 8,953,403 Interest income from
 loans..... 1,022,853 3,865,034
 -- 1,778,974 Total
 Revenues.....
 5,039,072 23,317,370 --
 10,732,377 Operating expenses
 Depreciation and
 amortization... 928,356
 3,314,903 -- 1,525,764 General
 and administrative.....
 3,259,657 4,404,657 992,418
 992,418 Total operating
 expenses..... 4,573,838
 8,175,189 1,023,276 2,549,040
 Operating income
 (loss)..... 465,234
 15,142,181 (1,023,276) 8,183,337
 Net other
 income..... 635,088
 635,088 -- -- Net income
 (loss).....
 1,065,322 15,142,269 (1,023,276)
 8,183,337 Net income (loss) per
 share, basic and
 diluted.....
 0.06 (0.63) Weighted average
 shares
 outstanding.....
 17,033,911 1,630,435

AS OF AS OF SEPTEMBER 30, 2004
 DECEMBER 31, 2003 -----

-- HISTORICAL PRO FORMA HISTORICAL
 PRO FORMA -----

----- BALANCE
 SHEET INFORMATION: Net investment
 in real estate..... \$126,443,839
 \$188,778,142 \$ -- \$189,706,498 --
 Acquisition and development
 costs... 16,225,907 21,148 166,301
 166,301 Total real estate and real
 estate related
 assets.....
 142,669,746 188,799,290 166,301
 189,872,799 Cash and cash
 equivalents..... 50,418,213
 231,680,383 100,000 224,673,231
 Loans.....
 48,223,885(1) 49,306,010(1) --
 50,224,069(1) Total
 assets.....
 243,678,906 472,152,745 468,133
 464,770,099 Total
 debt..... -- -
 - 100,000 100,000 Total
 liabilities.....
 11,717,373 15,668,613 1,489,779
 6,767,503 Total shareholders'
 equity..... 230,961,533
 455,484,132 (1,021,646) 457,002,596
 Total liabilities and shareholders'
 equity.....
 243,678,906 472,152,745 468,133
 464,770,099

FOR THE PERIOD FROM INCEPTION
 FOR THE NINE MONTHS ENDED

(AUGUST 27, 2003) THROUGH
 SEPTEMBER 30, 2004 DECEMBER
 31, 2003 -----

----- HISTORICAL PRO FORMA
 HISTORICAL PRO FORMA -----

----- OTHER
 INFORMATION: Funds from
 operations(2)..... \$
 1,993,678 \$ 19,057,172
 \$(1,023,276) \$ 9,709,101
 Adjusted funds from
 operations(3)... 851,492
 14,493,718 (1,023,276)
 7,531,942 Cash Flows: Provided
 by operating
 activities.....
 2,146,626 368,133 Used for
 investing activities....
 (185,241,642) (166,301)
 Provided by financing
 activities.....
 233,388,729 (101,832)

- -----

(1) Includes \$1.5 million in commitment fees payable to us by Vibra. Includes loans made by us through September 30, 2004. We loaned Vibra an additional \$2 million on October 1, 2004 for working capital purposes.

(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.

(3) We calculate adjusted funds from operations, or AFFO, by subtracting from or adding to FFO (i) straight-lining of rents, (ii) any recurring expenditures that, while capitalized and amortized for purposes of generally accepted accounting principles, are required to maintain our properties' revenue-generating characteristics and (iii) amortization of deferred costs. We expect that the adjustments described in (ii) and (iii) will not be significant. AFFO is an operating measure that we use to analyze our results of operations based on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments. We believe that this is a useful supplemental measure because our leases generally have significant contractual escalations of base rents and therefore result in recognition of rental income that is not collected until future periods and costs that are deferred. Our calculation of AFFO may not be comparable to AFFO or similarly titled measures reported by other REITs. AFFO should not be considered as an alternative to net income (loss) (calculated pursuant to generally accepted accounting principles) as an indicator of our results of operations or to cash flow from operating activities (calculated pursuant to generally accepted accounting principles) as an indicator of our liquidity.

The following is a reconciliation among net income, FFO and AFFO for the period from inception (August 27, 2003) through December 31, 2003 and for the nine months ended September 30, 2004:

	FOR THE PERIOD FROM INCEPTION FOR THE NINE MONTHS (AUGUST 27, 2003) ENDED THROUGH SEPTEMBER 30, 2004			
	DECEMBER 31, 2003		----- ----- HISTORICAL PRO FORMA HISTORICAL ----- PRO FORMA -----	
	----- Funds from operations: Net			
income.....	\$1,065,322	\$15,742,269	\$(1,023,276)	\$ 8,183,337
	Depreciation and			
amortization.....				928,356
3,314,903 --	1,525,764		-----	
	----- Funds from			
operations.....	\$1,993,678	\$19,057,172	\$(1,023,276)	\$ 9,709,101
	=====			
	Adjusted funds from operations: Funds from			
operations.....	\$1,993,678	\$19,057,172	\$(1,023,276)	\$ 9,709,101
	Straight-line rents effect on			
revenues.....		(1,142,186)		(4,563,454)
-- (2,177,159)	-----		-----	
	----- Adjusted funds from			
operations.....				\$ 851,492
\$14,493,718	\$(1,023,276)		\$ 7,531,942	
	=====			

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 50% and 17%, 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 that our management has expertise in, 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, and we are developing an acute care community hospital and an adjacent medical office building that are leased to a separate operating company. 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 from time to time may make mortgage loans to facility owners.

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 that 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 mortgage loans to facility owners. 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 guaranties. 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 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. FIN 46 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.

DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes known material contractual obligations associated with investing and financing activities as of September 30, 2004:

LESS THAN 2-3	4-5
AFTER CONTRACTUAL	
OBLIGATIONS 1	
YEAR YEARS	YEARS
5 YEARS	TOTAL
- -	- -
-----	-----
-----	-----
-----	-----
-----	-----
Construction	
contracts.....	
\$36,052,312	\$ --
\$ --	\$ --
\$36,052,312	
Operating lease	
commitments....	
214,167	682,434
708,786	2,247,615
3,853,002	

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.

We calculate adjusted funds from operations, or AFFO, by subtracting from or adding to FFO (i) straightlining of rents, (ii) any recurring expenditures that, while capitalized and amortized for purposes of generally accepted accounting principles, are required to maintain our properties' revenue-generating characteristics and (iii) amortization of deferred costs. We expect that the adjustments described in (ii) and (iii) will not be significant. AFFO is an operating measure that we use to analyze our results of operations based on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments. We believe that this is a useful additional measure because our leases generally have significant contractual escalations of base rents and therefore result in recognition of rental income that is not collected until future periods and costs that are deferred. Our calculation of AFFO may not be comparable to AFFO or similarly titled measures reported by other REITs. AFFO should not be considered as an alternative to net income (loss) (calculated

pursuant to generally accepted accounting principles) as an indicator of our results of operations or to cash flow from operating activities (calculated pursuant to generally accepted accounting principles) as an indicator of our liquidity.

The following is a reconciliation among net income, FFO and AFFO for the period from inception (August 27, 2003) through December 31, 2003 and for the nine months ended September 30, 2004:

FOR THE PERIOD FROM INCEPTION FOR THE NINE MONTHS (AUGUST 27, 2003) ENDED THROUGH SEPTEMBER 30, 2004 DECEMBER 31, 2003 -----			

HISTORICAL PRO FORMA HISTORICAL PRO FORMA --			

- Funds from operations: Net income (loss).....			
\$ 1,065,322	\$15,742,269	\$(1,023,276)	\$
8,183,337	Depreciation and amortization.....		
928,356	3,314,903	-- 1,525,764	-----
			Funds from operations.....
\$ 1,993,678	\$19,057,172	\$(1,023,276)	\$
9,709,101	=====	=====	=====
			Adjusted funds from operations: Funds from operations.....
\$ 1,993,322	\$19,057,172	\$(1,023,276)	\$
9,709,101	Rents earned, collectible in future periods.....	(1,142,186)	
(4,563,454)	-- (2,177,159)	-----	-----
			Adjusted funds from operations.....
\$ 851,492	\$14,493,718	\$(1,023,276)	\$ 7,531,942
	=====	=====	=====
			=====

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2004

Net income for the nine months ended September 30, 2004 was \$1,065,322. Revenue, which was \$5,039,072, was comprised primarily of rents (80%) and interest from loans (20%). Interest and dividends, primarily from the temporary investment of the net proceeds of our April 2004 private placement, was \$667,857. 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 nine months, which totalled \$4,573,838, were comprised primarily of compensation of \$2,210,853, depreciation of \$928,356, general and administrative expenses of \$1,048,800 and approximately \$350,923 of costs associated with an unsuccessful acquisition. 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 loans, will be sufficient to acquire the Acquisition Facilities that we consider to be probable acquisitions or developments as described in this prospectus and to fund our cash requirements during the next 12 months. Our current portfolio of facilities is security 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 \$190 million and have provided approximately \$47.6 million in acquisition and working capital financing to one of our tenants. As of September 30, 2004, we had stockholders' equity of approximately \$231.0 million, including approximately \$50.4 million in cash or 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 Acquisition 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 60% of the cost of our healthcare facilities; however, there is no assurance that we will be able to obtain or maintain this level of debt on our portfolio of real estate assets on favorable terms in the future.

We have entered into a \$75 million secured credit facility with Merrill Lynch with a term of three years for acquisition and development of additional facilities and other working capital needs. The facility bears interest at a rate of LIBOR (2.42% at December 31, 2004) plus 300 basis points. We may borrow under the facility up to 60% of our costs to acquire the facilities used as collateral. The credit facility is secured by our interests in the Vibra Facilities and requires us to comply with certain financial covenants. We have also entered into construction loans in an aggregate amount of \$43.4 million with Colonial Bank to fund construction costs for our acute care community hospital and adjacent medical office building being developed in Houston, Texas. Each construction loan has a term of 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the facility. The loans are secured by a mortgage on the acute care community hospital and the medical office building, as well as an assignment of rents and leases on those facilities. The terms of the loan agreements require us to comply with a financial ratio relating to debt coverage. The loans bear interest at rate of LIBOR plus 225 basis points, during the construction period and LIBOR plus 250 basis points, thereafter. The Colonial Bank loans are cross-defaulted.

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."

On October 11, 2004 we paid a distribution of \$0.10 per share of common stock to stockholders of record on September 16, 2004. On November 11, 2004, we declared a distribution of \$0.11 per share of common stock, payable on January 11, 2005 to stockholders of record as of December 16, 2004. The funds for these distributions were derived from our funds from operations in the third and fourth quarters of 2004, respectively. When our first and second quarter funds from operations are included, the aggregate return of capital component of our distributions is expected to be approximately %. It is our intention 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 Consumer Price Index 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.

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 experienced 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 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 facilities, consisting of six facilities that are in operation and two facilities that are under development. Four of the facilities that are in operation are rehabilitation hospitals and two are long-term acute care hospitals. The facilities under development are an acute care hospital and an adjacent medical office building. With the proceeds of this offering, 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 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.

We have entered into a \$75 million secured credit facility with Merrill Lynch with a term of three years. We plan to use the loan proceeds for acquisition and development of additional facilities and other working capital needs. The facility bears interest at a rate of LIBOR (2.42% at December 31, 2004) plus 300 basis points. We may borrow under the facility an amount up to 60% of our costs to acquire the facilities used as collateral. The credit facility is secured by our interests in the Vibra Facilities. The facility 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.

We have also entered into construction loan agreements in an aggregate amount of \$43.4 million with Colonial Bank to fund construction costs for our acute care community hospital and adjacent medical office building being developed in Houston, Texas. Each construction loan has a term of 18 months and an option on the part of the borrower to convert the loan to a 30-month term loan upon completion of construction of the facility. The loans are secured by a mortgage on the acute care community hospital and the medical office building, as well as an assignment of rents and leases on those facilities. The terms of the 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 loans bear interest at a rate of LIBOR plus 225 basis points during the construction period and LIBOR plus 250 basis points thereafter. The Colonial Bank loans are cross-defaulted.

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% of United States gross domestic product in 2002. 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)

Source: Healthcare Expenditure data released February 2004 from CMS (2003 is the first projected year, prior years are actual); GDP data from United States Department of Commerce, Bureau of Economic Analysis (1990-2003). GDP projected at 5.1% growth rate (10-year historical average).

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 2002 alone, \$22.4 billion was spent on the construction of healthcare facilities, according to CMS. This represented an approximately 17% increase over the \$19.2 billion in healthcare construction spending for 2001. 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)

Source: CMS, data release February 2004. 2003 is the first projected year, prior years are actual.

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 recovery. 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 are or will be master-leased and generally adjacent to our other targeted healthcare facilities.

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. Our chief operating officer is presently responsible for the acquisition and due diligence process and reports to our chief executive officer. Approximately five employees report directly to the chief operating officer with respect to acquisitions and due diligence.

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. 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. Our current policy requires the approval of our board of directors for acquisitions or developments of facilities which exceed \$10 million.

We seek to build tenant relationships with experienced 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 553,908 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 which we formed in January 2004, will operate as our 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, and have been or will be used to acquire our existing facilities, develop two new facilities, repay debt, pay pre-offering operating expenses and for working capital. Thus far we have utilized approximately \$127.4 million to acquire six existing facilities, have loaned \$47.6 million to Vibra to acquire the operations at our current facilities that are in operation and for working capital purposes and have funded \$18.6 million of a projected total of \$62.3 million of development costs for the two facilities under development. There are approximately 295 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, chief executive officer and secretary. 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 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 acute care 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 intend to offer up to 40% of the limited partnership interests in MPT West Houston MOB, L.P. to physicians. 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 \$49.1 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 may also 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 the conditions for the safe harbor for space rental, but cannot guarantee that we will meet all the conditions for the safe harbor. 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 of 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.

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. 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 physician self-referral laws could limit physician investment in our company or restrict the types of leases we may enter into if such physician investment is permitted.

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. This increase benefits 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.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug 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 percent. 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 imposes an 18 month moratorium on the availability of the "whole hospital exception," or Whole Hospital Exception, under the Stark Law. The moratorium began upon enactment of the Act and will continue until June 8, 2005. Prior to the moratorium's expiration, the Congress will reevaluate this provision to determine whether it should sunset, be extended or made permanent. Under the Whole Hospital Exception, the Stark Law currently 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.

The Act imposes a temporary moratorium on the availability of the Whole Hospital Exception to protect referrals of patients to "specialty hospitals." 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. If a specialty hospital that was in operation or under development as of November 18, 2003 increases the number of physician investors, adds certain new clinical services, augments its bed capacity or violates other requirements to be designated by the Secretary it will become subject to the moratorium. The Act also prohibits physicians from investing in rural specialty hospitals from invoking the alternative Stark Law exception for physician ownership in rural providers.

The foregoing moratorium, however, does not limit a physician's ability to hold an ownership or investment interest in facilities which may be leased to hospitals 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 law. We believe that percentage rent arrangements, when structured properly, are permissible under the Stark Law and the Anti-kickback law.

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.

Finally, 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 increases the Medicare payment rate for long-term care hospitals by 3.1% starting July 1, 2004. Medicare expects aggregate payment to these hospitals to increase to \$2.96 billion during the 2005 long-term care hospital 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.

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 OF FACILITIES

Our current portfolio of facilities consists of eight healthcare facilities, six of which are in operation and are referred to as the Vibra Facilities and two of which are under development. Four of the Vibra Facilities are rehabilitation hospitals and two are long-term acute care hospitals. The facilities under development are an acute care community hospital and an adjacent medical office building that is master-leased by the tenant of the hospital. All of the leases for the hospitals currently in operation have initial terms of 15 years. The initial lease term for the acute care community hospital under development began when construction commenced and will end 15 years after completion of construction. The initial lease term for the adjacent medical office building began when construction commenced and will end 10 years after completion of construction. 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 table sets forth information, as of December 31, 2004, regarding our current portfolio of facilities:

	2005	2006	2004
CONTRACTUAL			
CONTRACTUAL NUMBER OF ANNUALIZED BASE			
BASE LOCATION TYPE			
TENANT BEDS(1) BASE			
RENT RENT(2) RENT(2)			

Operating Bowling Green, Kentucky.....			
Rehabilitation Vibra hospital Healthcare, LLC(4)	60	\$	
	3,916,695	\$	
	4,294,990	\$	
4,790,118 Marlton, New Jersey(5).....			
Rehabilitation(6) Vibra hospital Healthcare, LLC(4)	76		
	3,401,791		
3,730,354 Fresno, California...	4,160,390		
Rehabilitation Vibra hospital Healthcare, LLC(4)	62		
	1,914,829		
2,099,773 Thornton, Colorado...	2,341,835		
Rehabilitation Vibra hospital Healthcare, LLC(4)	117		
	870,377		
933,200 New Bedford, Long-term Vibra Massachusetts.....	1,064,471		
Healthcare, hospital acute care LLC(4)	90		
	2,262,979		
2,426,320 Kentfield, California.....	2,767,624		
Long-term Vibra acute care Healthcare, hospital LLC(4)	60		
	783,339		
858,998	958,024	---	---

SUBTOTAL.....			
	--	--	465
	\$13,150,010		
	\$14,343,635		
\$16,082,462	---	---	----

Under Development			
Houston, Texas.....			
Acute care community hospital(7) Stealth, L.P.	105(8)	\$	--
	\$	--	\$
	772,196	\$	4,652,481
Medical office building(10) Stealth, L.P.	670,840		
	2,025,936		

SUBTOTAL.....			
	--	--	105
	\$	--	\$
1,443,036			\$

6,678,417 --- -----

TOTAL.....
-- -- 570
\$13,150,010
\$15,786,671
\$22,760,879 ===
=====

GROSS PURCHASE PRICE
OR PROJECTED LEASE
LOCATION DEVELOPMENT
COST(3) EXPIRATION -

---- Operating
Bowling Green,
Kentucky.....
\$ 38,211,658 July
2019 Marlton, New
Jersey(5).....
32,267,622 July 2019
Fresno,
California...
18,681,255 July 2019
Thornton,
Colorado...
8,491,481 August
2019 New Bedford,
Massachusetts.....
22,077,847 August
2019 Kentfield,
California.....
7,642,332 July 2019

SUBTOTAL.....
\$127,372,195 -- ----
----- Under
Development Houston,
Texas..... \$
42,600,000 October
2020(9) Houston,
Texas.....
20,500,000 August
2015(11) -----
-

SUBTOTAL.....
\$ 63,100,000 -- ----

TOTAL.....
\$190,472,195 --
=====

(1) Based on the number of licensed beds.

(2) Based on leases in place as of the date of this prospectus. For facilities under development, assumes completion of construction in October 2005 for the acute care community hospital and in August 2005 for the medical office building. Does not include rents that accrue during the construction period and are payable over the remaining lease term following the completion of construction.

(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 through a ground lease on the property.

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

(7) Expected to be completed in October 2005.

(8) 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.

(9) 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 acute care community hospital from us at a 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.

(10) Expected to be completed in August 2005.

(11) 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 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

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. We obtained an independent appraisal in connection with the purchase of these facilities, and the aggregate purchase price of the facilities was lower than the replacement cost. 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. Brad E. Hollinger, 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 affiliates, see the audited financial statements included elsewhere in this prospectus.

Vibra Loans and Fees Receivable. In connection with our acquisition of the Vibra Facilities, MPT Development Services, Inc., our taxable REIT subsidiary, made loans of approximately \$41.4 million to Vibra to acquire the operations at these locations. We refer to these loans as the acquisition loans. The acquisition loans accrue interest at the rate of 10.25% per year and are 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. In connection with the acquisition of the Vibra Facilities, Vibra has also agreed to pay us commitment fees of approximately \$1.5 million. The commitment fees are evidenced by notes that 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.

MPT Development Services, Inc. also made a loan of approximately \$4.2 million to Vibra and its subsidiaries for working capital purposes. In October 2004 we loaned Vibra and its subsidiaries an additional \$2.0 million for working capital purposes. We refer to these loans as the working capital loans. The working capital loans accrue interest at the rate of 10.25% per year and are to be repaid on or before January 31, 2005. Any of these loans may be prepaid at any time without penalty.

As security for the acquisition loans, the commitment fees and the working capital loans, each of the Vibra tenants and Vibra have granted us 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 for the acquisition loans, the commitment fees, and the working capital loans, Vibra has pledged to us all of its interests in each of the tenants, and Mr. Hollinger has pledged to us his 100% 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 loans and the payment of the commitment fees; however, Mr. Hollinger's personal liability is limited. See "--Lease Guaranties and Security."

Each Vibra lease provides that, so long as the acquisition loans are 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 January 1 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 loans during the previous calendar year; however, the percentage rent will not be decreased below 1% of revenues.

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 will 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 will pay into its respective capital improvement reserve such funds as necessary for all replacements and repairs.

Lease Guaranties and Security. Each Vibra lease is guaranteed by Mr. Hollinger, Vibra, Vibra Management, LLC and The Hollinger Group. The guaranty is an absolute and irrevocable guarantee of full payment and performance; however, Mr. Hollinger's personal liability for lease guaranty, the loan guaranty and for environmental indemnification is limited to \$5 million in the aggregate. 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.

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 December 31, 2004, regarding the depreciation and real estate taxes for the Vibra Facilities:

DEPRECIATION	
FEDERAL TAX BASIS	

---- 2004 REAL	
ESTATE -----	

ANNUAL -----	
----- LAND	
BUILDINGS RATE	
METHOD LIFE IN	
YEARS TAXES RATE	
-----	-----
-----	-----
-----	-----
- ----- Bowling Green, KY.....	\$ 3,070,000
	\$ 35,141,658 2.5%
	Straight-line 40
	\$ 27,420 0.07%
Thornton, CO.....	2,130,000
	6,361,481 2.5%
	Straight-line 40
	185,317 2.18%
Fresno, CA.....	1,550,000
	17,131,255 2.5%
	Straight-line 40
	113,558 0.61%
Kentfield, CA.....	2,520,000
	5,122,332 2.5%
	Straight-line 40
	97,975 1.28%
Marlton, NJ.....	-- 32,267,622
	2.5% Straight-
	line 40 321,903
	1.00% New
	Bedford, NJ.....
	1,400,000
	20,677,847 2.5%
	Straight-line 40
	251,476 1.14%

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. 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. Marlton, New Jersey is in the Philadelphia, Pennsylvania metropolitan area. 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 \$33.2 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, licensed for 117 beds, is an approximately 141,388 gross square foot rehabilitation hospital located in Thornton, Colorado, which is in the Denver, Colorado metropolitan area. Of the 117 beds, 70 are rehabilitation beds, 23 are psychiatric beds and 24 are skilled nursing care 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%.

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 in Marin County, approximately 15 miles north of San Francisco. 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%.

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 in the Boston metropolitan area. 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%.

HOUSTON, TEXAS

General. In June 2004, we entered into agreements with Stealth, L.P., or Stealth, and its affiliate, GP Medical Ventures, LLC, or GPMV, to develop an acute care community hospital and adjoining medical office building in Houston, Texas. We have engaged GPMV to develop a 105 bed, 121,884 gross square foot acute care community 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 an adjacent 120,000 gross square foot medical office building on the property. We refer to these facilities as the Houston Facilities. 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 acute care community hospital, and MPT West Houston MOB, L.P., or the MOB limited partnership, which will own the adjoining medical office building. 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 acute care community hospital offering multi-specialty services and the medical office building. Because those facilities are still in the construction phase, Stealth has had no meaningful operations to date. Stealth has provided to us unaudited financial statements reflecting that, as of October 31, 2004, it had tangible assets of approximately \$6.0 million, including cash of approximately \$4.9 million, liabilities of approximately \$103,000 and owners' equity of approximately \$5.9 million.

Our operating partnership owns an approximate 93% 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 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 1% general partnership interest. We are in the process of offering up to 40% of the limited partnership interests in the MOB limited partnership to local physicians who are expected to be affiliated with the hospital.

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 Houston Facilities, we are entitled to a commitment fee from Stealth in the estimated amount of \$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 Houston Facilities. Stealth is to commence making monthly interest payments beginning the first month after completion of the hospital facility.

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 hospital facility, 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 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 to commence making monthly interest payments beginning the first month after completion of the hospital facility. 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 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 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 hospital facility and \$50,000 in the case of the adjacent medical office building. 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 hospital facility 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 hospital and in August 2005 for the adjacent medical office building. 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 hospital facility and the adjacent medical office building. Our agreement with Stealth provides that 60% of this funding is to be in the form of debt for the hospital facility and 80% in the form of debt for the adjoining medical office building. 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

hospital and 10 years for the medical office building. 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 hospital will increase 2.5% and the base rent for the medical office building 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 hospital facility 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 hospital facility. 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 hospital facility. 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 medical office building 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 year 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 medical office building. 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 medical office building 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 the medical office building and hospital is completed, 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 medical office building or the 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) fair market value assuming the lease is still 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 medical office building or the 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 2.50% per year, and (ii) appraisal assuming the lease is still in place.

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 the hospital or the medical office building, 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.

Lease Guaranty. The leases for the Houston Facilities are cross-defaulted and are guaranteed by West Houston G.P., L.P. and West Houston Joint Ventures, Inc., affiliates of Stealth.

Additional Security. To secure its performance of its lease obligations under the hospital lease, Stealth has obtained a certificate of deposit in the amount of \$1,905,234. Triumph has obtained a certificate of deposit in the amount of \$400,000 to secure the performance of its obligations under its sublease with Stealth. 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 hospital facility 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.

Capital Improvements. Stealth is responsible for all capital expenditures required to keep the 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 medical office building and \$2,500 per bed per annum in the case of the acute care community hospital. On each January 1 thereafter, the payment into the capital improvement reserve will be increased by 2.0% in the case of the medical office building and by 2.25% in the case of the acute care community 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:

DEPRECIATION ESTIMATED			
FEDERAL TAX BASIS	----		

----- 2004 REAL			
ESTATE	-----		
----- ANNUAL	----		

----- LAND			
BUILDINGS RATE METHOD			
LIFE IN YEARS TAXES			
RATE	-----		

----- Houston			
acute care community			
hospital.....	\$		
8,400,000	\$34,200,000		
2.5% Straight-line	40		
\$1,324,860	3.11%		
Houston medical office			
building.....			
1,800,000	18,700,000		
2.5 Straight-line	40		
637,550	3.11		

ACQUISITION FACILITIES

We intend to use the net proceeds of this offering to expand our portfolio

by acquiring or developing additional net-leased healthcare facilities, which we refer to in this prospectus as our Acquisition Facilities.

variety of conditions, including our completion of satisfactory due diligence and the satisfaction of customary closing conditions.

In addition to the Acquisition Facilities under contract, as of _____, 2005, we had _____ Acquisition Facilities under letters of intent. The Acquisition Facilities under letters of intent have an aggregate gross purchase price and estimated development costs totaling approximately \$ _____ million. The letters of intent are non-binding, and we cannot assure you that we will acquire or develop any of the Acquisition Facilities under letters of intent because each of these transactions is subject to a variety of conditions, including (i) the willingness of the parties to proceed with the contemplated transaction, (ii) the negotiation of mutually-acceptable binding definitive agreements, (iii) our completion of satisfactory due diligence and (iv) the satisfaction of customary closing conditions.

We have also identified a number of opportunities to acquire or develop additional Acquisition 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. None of these potential acquisitions or developments is under a letter of intent, and 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 seven members, two 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, Chief Executive Officer and Secretary
R. Steven Hamner	47	Executive Vice President and Chief Financial Officer
William G. McKenzie	46	Vice Chairman of the Board
Emmett E. McLean	49	Executive Vice President, Chief Operating Officer, Treasurer and Assistant Secretary
G. Steven Dawson	46	Director
Keith T. Ghezzi, M.D.	49	Director
Joseph V. Green	54	Director
Robert E. Holmes, Ph.D.	62	Director*
Charles C. Pitts	41	Director

* 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, chief executive officer and secretary 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. 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 in 1986 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. 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 in 1979. 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 in 1995 and a B.S. in Business Administration from Troy State University in 1981. 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. PsychPartners, L.L.C. filed a petition under the federal bankruptcy laws in January 2000. 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 in 1984 and a B.A. in Economics from The University of North Carolina in 1977.

G. Steven Dawson has served as a member of our board of directors since April 2004. From July 1990 to September 2003, Mr. Dawson 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. He serves as a director of US Restaurant Properties, Inc. (NYSE: USV) and AmREIT (AMEX: AMY), and has served as the chairman of the audit committees of those companies since 2000. Mr. Dawson is also the lead outside director and chairman of the compensation committee for AmREIT. He is a director and the chairman of the audit committee for Desert Capital REIT, Inc., a public, unlisted mortgage REIT based in Las Vegas. He also serves on the board of directors and as the audit committee chairman of American Campus Communities (NYSE: ACC), and is on the board of a private cabling contractor based in Houston. He is involved with 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 in 1980.

Keith T. Ghezzi, M.D. has served as a member of our board of directors since April 2004. Dr. Ghezzi is a practicing emergency physician and associate clinical professor of emergency medicine and surgery at the George Washington University School of Medicine and Health Sciences. He is also the principal of

Ghezzi & Associates, LLC, a consulting firm engaged in strategic advisory, operational turnaround and merger and acquisition activities. From 1996 to 1998, he was chief operating officer of Inova Fairfax Hospital and vice president of the Inova Health System, a not-for-profit healthcare system based in northern Virginia. He was medical director and chief operating officer of George Washington University Hospital from 1993 to 1996, and a director of The George Washington University Health Plan. He currently serves on the board of directors of the American Society of Law, Medicine, and Ethics and the Washington Regional Transplant Consortium, which he previously chaired. Dr. Ghezzi received an MBA in finance with distinction from The Wharton School of the University of Pennsylvania in 2001. He received an M.D. degree from Georgetown University School of Medicine in 1982 and a B.A. in chemistry, summa cum laude, from Washington and Jefferson College in 1977.

Joseph V. Green has served as a member of our board of directors since April 2004. Mr. Green is the president, chief financial officer and secretary of Winston Hotels, Inc. (NYSE: WXH), a REIT specializing in the finance, acquisition and development of premium, upscale hotels. Mr. Green has served in those capacities since November 2003, May 1999 and November 2002, respectively. From May 1999 to November 2003, he served as the executive vice president of that company. From 1998 to 1999, Mr. Green was executive vice president -- acquisitions and finance of Winston Hotels, Inc. after having advised Winston Hospitality, Inc. on matters regarding hotel acquisitions and finance, including the initial public offering of Winston Hotels, Inc. in June 1994. Mr. Green graduated from East Carolina University in 1972, received a J.D. degree from Wake Forest University School of Law in 1976 and received an LL.M. in Taxation from Georgetown University in 1978.

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 in 1964, an MBA from University of North Texas in 1967, and received his Ph.D. from the University of Arkansas, with an emphasis on management strategy, in 1971.

Charles C. Pitts has served as a member of our board of directors since April 2004. Mr. Pitts is Chief Executive Officer of UnitedHealthcare of North Carolina, Inc., a division of the UnitedHealth Group, Inc. of Minneapolis, Minnesota, a position he has held since July 2003. United Health Group, Inc. serves approximately one million customers in North and South Carolina. Prior to his current position, Mr. Pitts was President and Chief Executive Officer of the Gulf States Division of UnitedHealth Group. Mr. Pitts has held several positions with UnitedHealth Group, which he joined in 1989. Mr. Pitts received a B.A. degree from Washington and Lee University in 1985 and an MBA from the University of Alabama in 1987.

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 and ethics, nominating and corporate governance committees, the principal functions and membership of which are briefly described below. The charters of these 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.

AUDIT COMMITTEE

Our board of directors has established an audit committee, which is comprised of three independent directors, Messrs. Dawson and Green and Dr. Ghezzi. Mr. Dawson serves as the chairperson of the audit committee and also serves on the audit committee of four 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.

COMPENSATION COMMITTEE

Our board of directors has established a compensation committee, which is comprised of three independent directors, Messrs. Pitts and Green and Dr. Ghezzi. Mr. Pitts 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. The compensation committee has 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, Pitts 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 and recommend 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.

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 original 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 original independent directors has been awarded 2,500 deferred stock units, which represent the right to receive 2,500 shares of common stock in October 2007 at no cost.

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:

RESTRICTED STOCK
OTHER ANNUAL ALL
OTHER NAME AND
POSITION YEAR SALARY
BONUS(1) AWARDS(2)
COMPENSATION

-----	Edward K.
Aldag, Jr.	
2004	\$350,000
	\$140,000-350,000
43,500	\$50,462(3)
\$30,769(4)	Chairman,
	Chief Executive 2003
145,833(5)	58,000-
146,000	10,492(6)
9,249(7)	Officer,
	President and
	Secretary Emmett E.
McLean.....	
2004	\$250,000
	\$100,000-250,000
20,500	\$24,385(8)
\$15,385(4)	Executive
	Vice President, 2003
104,167(5)	42,000-
104,000	-- 10,896(9)
	Chief Operating
	Officer, Treasurer
	and Assistant
	Secretary R. Steven
Hamner.....	
2004	\$250,000
	\$100,000-250,000
27,000	\$24,385(8)
\$15,385(4)	Executive
	Vice President 2003
104,167(5)	42,000-
104,000	-- 5,918(10)
	and Chief Financial

Officer William G.
McKenzie.....
2004 \$175,000 \$
70,000-175,000
15,000 \$ 0 \$ 0 Vice
Chairman of the
Board 2003 72,917(5)
29,000-73,000 -- --

- - - - -

- (1) Pursuant to their employment agreements with us, each named executive officer is to receive a bonus each year in an amount equal to not less than 40% of his salary for the year. This bonus, at the discretion of the compensation committee, may be increased to an amount equal to 100% of his annual salary. The table reflects the range of bonuses that may be paid to each named executive officer. The bonuses for 2004 and 2003 have not yet been determined by our compensation committee.
- (2) 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.

- (3) 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.
- (4) 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.
- (5) For the partial year period from our inception in August 2003 until December 31, 2003.
- (6) 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.
- (7) Represents reimbursement for life insurance premiums of \$9,249.
- (8) 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.
- (9) Represents reimbursement for life insurance premiums of \$10,896.
- (10) Represents reimbursement for life insurance premiums of \$5,918.

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; and William G. McKenzie, \$175,000. These base salaries for Messrs. Aldag, McLean and Hamner are to be increased by a minimum of 5% on January 1, 2005. On each January 1 thereafter, 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. Each employment agreement 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 executive 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 and Hamner. Messrs. Aldag, McLean and Hamner 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 and Hamner. 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 and Hamner 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 and Hamner 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 executive'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 an executive's employment without cause or if an executive 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

We intend to establish and maintain a retirement savings plan under Section 401(k) of the Code to cover our eligible employees. The plan will allow eligible employees to defer, within prescribed limits, up to 15% of their compensation on a pre-tax basis through contributions to the plan. In addition, we intend to reserve the right to make discretionary contributions on behalf of eligible participants. Our employees will be eligible to participate in the plan if they meet the plan's requirements, including a minimum period of credited service. Any company contributions may be subject to certain vesting requirements.

EQUITY INCENTIVE PLAN

We have adopted the Medical Properties Trust, Inc. 2004 Amended and Restated 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. There remain 564,180 shares available for awards under the equity incentive plan, of which 435,000 shares have been reserved by the compensation committee for awards of restricted stock after December 31, 2005 based on our performance and, in the case of our officers and employees, their individual performance in 2005 as measured in accordance with criteria to be established by our compensation committee. 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

Currently, approximately 19.9 million shares of common stock issued in connection with our April 2004 private placement are eligible for trading in the Portal(SM) Market, a subsidiary of the Nasdaq Stock Market, Inc., which permits secondary sales of eligible unregistered securities to qualified institutional buyers in accordance with Rule 144A under the Securities Act. The last sale of our common stock on the Portal(SM) Market occurred on December 28, 2004 at a price of \$10.25 per share. 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	PRICE	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		

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of December 31, 2004 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 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	PERCENTAGE OF ALL COMMON SHARES	PERCENTAGE OF ALL NUMBER OF COMMON SHARES
----- Edward K. Aldag, Jr. -----		
.....		
282,217(2) R. Steven Hamner.....	1.08%	
73,804(3) * William G. McKenzie.....		
97,680(4) * Emmett E. McLean.....		
105,207(5) * G. Steven Dawson.....		
26,666(6) * Keith T. Ghezzi, M.D.		
..... 11,666(6) * Joseph V. Green.....		
7,666(6) * Robert E. Holmes, Ph.D.		
..... 7,666(6) * Charles C. Pitts.....		
8,666(6) * All executive officers and directors as a group (9 persons).....		621,238
2.38% =====		
===== Friedman, Billings, Ramsey Group, Inc. 1001 Nineteenth Street North Arlington, Virginia 22209.....		
2,870,217(7)	11%	

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

(1) Pre-offering calculations assume 26,082,862 shares of common stock outstanding as of December 31, 2004. 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 December 31, 2004 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) Includes 6,666 shares of common stock issuable upon exercise of a vested stock option for each independent director.
- (7) 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., 79,646 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 37,000 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 _____, 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 _____, 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 _____ shares of common stock in this offering.

PERCENTAGE
OF
BENEFICIAL
OWNERSHIP
NUMBER OF
MAXIMUM ALL
SHARES AFTER
RESALE OF
SHARES
SHARES
NUMBER OF
BENEFICIALLY

-
BENEFICIALLY
SHARES BEING
OWNED BEFORE
NUMBER OF
SELLING
STOCKHOLDER
OWNED
OFFERED
RESALE(1)
SHARES
PERCENTAGE(2)

* Represents less than 1%.

- (1) Assumes _____ shares of common stock outstanding as of _____, 2005.
- (2) Assumes _____ shares of common stock outstanding as of _____, 2005, including _____ 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 _____ 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. 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 file a resale registration statement within nine months of the closing of the April 2004 private placement 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 553,908 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 owe Mr. Bennett, and have accrued unpaid consulting fees in the amount of \$411,238. Mr. Bennett disputes this amount and has notified us that he believes he is entitled to 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 December 31, 2004, Friedman, Billing, Ramsey Group, Inc., an affiliate of Friedman, Billings, Ramsey & Co., Inc., beneficially owned, directly or indirectly through affiliates, 2,870,217 shares of our common stock or approximately 11% of our outstanding common stock.

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 Acquisition 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 Acquisition 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 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 and Acquisition 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 determined from time to time by our board of directors. At present, we intend to limit our debt to approximately 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 our board of directors for acquisitions or developments of facilities which exceed \$10 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, 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 determined from time to time by our board of directors. At present, we intend to limit our debt to approximately 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. 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. 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 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 warrant holder 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 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 seven 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.

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 proceeding 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. We believe that we are organized and have operated in such a manner to enable us to qualify for taxation as a REIT under the Code. We further 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, since qualification as a REIT depends on our satisfying on a continuing basis numerous asset, income and distribution tests described below, the satisfaction of which depends, in part, on our operating results.

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.

Our counsel has opined that, for federal income tax purposes, commencing with our initial short taxable year beginning on April 6, 2004 and ending December 31, 2004 and assuming that we make the appropriate election in a timely manner as discussed in this discussion of "United States Federal Income Tax Considerations," we are organized in conformity with the requirements of qualification as a REIT, and our proposed method of operations as described in this prospectus and as represented to Baker Donelson by us will enable us to satisfy the requirements for such qualification and taxation as a REIT under the Code. This opinion, however, is based upon factual assumptions and representations made by us. Moreover, 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."

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 has made a loan of approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes. 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.

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.

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 transaction, 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 has made a loan of approximately \$6.2 million to Vibra and its subsidiaries for working capital purposes. 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.

NUMBER OF SHARES UNDERWRITER OF COMMON STOCK - -----
----- Friedman, Billings, Ramsey & Co., Inc.
..... J.P. Morgan Securities Inc.
..... -----
TOTAL:.....
=====

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. 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 reallocated to other dealers. After this offering, the public offering price, concession and reallocation 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 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 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	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. In addition to the items of compensation to be paid to the underwriters in connection with this offering, until , we have appointed Friedman, Billings, Ramsey & Co., Inc. to act as lead underwriter or placement agent in connection with any public or private offerings in 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.

We estimate that the total expenses payable by us in connection with this offering, other than the items referred to above, will be approximately \$.

We and the selling stockholders have 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. The underwriters have informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

We will apply 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 representatives 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 % 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. Any directors, employees or other persons purchasing such reserved shares will be prohibited from disposing of or hedging such shares for a period of at least 180 days after 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.

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.

LEGAL MATTERS

The validity of the common stock will be passed upon 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 as of December 31, 2003, 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 balance sheet of Highmark Healthcare, LLC as of June 30, 2004 included herein have been audited by Parente Randolph, LLC, independent registered public accountants, 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.

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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 period from inception (August 27, 2003) through December 31, 2003, and from our unaudited consolidated financial statements for the nine months ended September 30, 2004;
- adjustments to give effect to our April 2004 private placement;
- adjustments to give effect to acquisition of our facilities acquired and leased to Vibra as if we owned them from the inception of each period presented;
- adjustments to give effect to our loans made to Vibra through September 30, 2004;
- adjustments to give effect to the completion of our Houston community hospital and medical office building projects;
- adjustments to give effect to this offering and application of the net proceeds; and
- our pro forma, as adjusted unaudited consolidated balance sheet as of September 30, 2004, and the pro forma, as adjusted, unaudited consolidated statement of operations for the Vibra months ended September 30, 2004, and for the period from inception (August 27, 2003) through December 31, 2003, as adjusted to give effect to our initial portfolio, our probable acquisition properties 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 September 30, 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

September 30, 2004

WEST HOUSTON PRO FORMA
HOSPITAL AND EFFECT OF EFFECT
OF MOB DISTRIBUTIONS
COMPLETED EFFECT OF THIS
ACQUISITION HISTORICAL
DEVELOPMENT DECLARED IN 2004
TRANSACTIONS OFFERING
TRANSACTIONS -----

----- ASSETS Gross
investment in real
estate.....
\$127,372,195 \$62,334,303(1) \$
-- \$189,706,498 \$ -- \$ --
Accumulated depreciation and
amortization.....
(928,356) -- (928,356) -- --

----- Net investment in
real estate.....
126,443,839 62,334,303 --
188,778,142 -- -- Acquisition
and development
costs.....
16,225,907 (16,204,759)(1) --
21,148 -- -- -----

Total real estate and real
estate related assets...
142,669,746 46,129,544 --
188,799,290 -- -- -----

Cash and cash
equivalents..... 50,418,213
(46,129,544)(1) (2,608,286)
(3) 1,680,383 230,000,000 (2)
-- Interest
receivable..... 383,413
-- -- 383,413 -- -- Unbilled
rent receivable.....
1,142,186 -- -- 1,142,186 --
--

Loans.....
48,223,885 1,082,125 (1) --
49,306,010 -- -- Other
assets.....
841,463 -- -- 841,463 -- --

----- TOTAL
ASSETS.....
\$243,678,906 \$ 1,082,125
\$(2,608,286) \$242,152,745
\$230,000,000 \$ --
=====

LIABILITIES AND STOCKHOLDERS'
EQUITY (DEFICIT) Liabilities
Accounts payable and accrued
expenses..... \$
5,810,567 \$ -- \$ 2,869,115
(3) \$ 8,679,682 \$ -- \$ --
Deferred revenue.....
2,610,441 1,082,125 (1) --
3,692,566 -- -- Lease
deposits.....
3,296,365 -- -- 3,296,365 --

----- Total
liabilities.....
11,717,373 1,082,125

2,869,115 15,668,613 -- --
 Minority
 interest.....
 1,000,000 -- -- 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.....
 26,082 -- -- -- --
 Additional paid in
 capital.....
 233,501,691 -- -- -- --
 Accumulated deficit.....
 (2,566,240) -- (5,477,401)(3)
 (8,043,641) -- -----

 Total stockholders' equity
 (deficit).....
 230,961,533 -- (5,477,401)
 225,484,132 230,000,000 (2) -

----- TOTAL
 LIABILITIES AND STOCKHOLDERS'
 EQUITY
 (DEFICIT).....
 \$243,678,906 \$ 1,082,125
 \$(2,608,286) \$242,152,745
 \$230,000,000 \$ --
 =====
 =====
 =====

COMPANY PRO FORMA -----
 - ASSETS Gross investment in
 real
 estate.....
 \$189,706,498 Accumulated
 depreciation and
 amortization.....
 (928,356) ----- Net
 investment in real
 estate.....
 188,778,142 Acquisition and
 development
 costs.....
 21,148 ----- Total
 real estate and real estate
 related assets... 188,799,290
 ----- Cash and cash
 equivalents.... 231,680,383
 Interest
 receivable..... 383,413
 Unbilled rent
 receivable..... 1,142,186
 Loans.....
 49,306,010 Other
 assets.....
 841,463 ----- TOTAL
 ASSETS.....
 \$472,152,745 =====

LIABILITIES AND STOCKHOLDERS'
 EQUITY (DEFICIT) Liabilities
 Accounts payable and accrued
 expenses..... \$
 8,679,682 Deferred
 revenue..... 3,692,566
 Lease deposits.....
 3,296,365 ----- Total
 liabilities.....
 15,668,613 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..... --
 Additional paid in
 capital..... --
 Accumulated deficit.....

(8,043,641) -----
Total stockholders' equity
(deficit).....
455,484,132 -----
TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY
(DEFICIT).....
\$472,152,745 =====

See accompanying notes to Unaudited Pro Forma Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations

For the Nine Months Ended September 30, 2004

WEST HOUSTON PRO FORMA
HOSPITAL AND EFFECT OF
EFFECT OF VIBRA MOB
COMPLETED EFFECT OF
THIS ACQUISITION
COMPANY HISTORICAL
FACILITIES DEVELOPMENT
TRANSACTIONS
TRANSACTION
TRANSACTIONS PRO FORMA

- REVENUES Rent
income..... \$
4,016,219 \$ 9,772,895
(4) \$5,663,222 (5)
\$19,452,336 \$ -- \$ --
\$19,452,336 Interest
income from
loans.....
1,022,853 2,754,935
(4) 87,246 (5)
3,865,034 -- --
3,865,034 -----

Total
revenues.....
5,039,072 12,527,830
5,750,468 23,317,370 -
- -- 22,500,808

OPERATING EXPENSES:
Depreciation and
amortization.....
928,356 1,425,891 (4)
960,656 (5) 3,314,903
-- -- 3,314,903
Property
expenses.....
34,902 69,804 (4) --
104,706 -- -- 104,706
General and
administrative.....
3,259,657 -- --
3,259,657 1,145,000 --
4,404,657 Costs of
terminated
acquisitions.....
350,923 -- -- 350,923
-- -- 350,923 -----

-- Total operating
expenses.....
4,573,838 1,495,695
960,656 7,030,189
1,145,000 -- 8,175,189

----- Operating
income
(loss).....
465,234 11,032,135
4,789,812 16,287,181
(1,145,000) --
15,142,181 OTHER
INCOME (EXPENSES)
Interest
income.....
667,857 -- -- 667,857
-- -- 667,857 Interest

```

expense.....
(32,769) (32,769) -- -
- (32,769) -----
-----
- -----
Net other income
(expenses).....
635,088 -- -- 635,088
-- -- 635,088 -----
-----
-- Federal and state
income taxes --
current.....
(35,000) (35,000) -- -
- (35,000) -----
-----
NET INCOME (LOSS)....
$ 1,065,322
$11,032,135 $4,789,812
$16,887,269
$(1,145,000) $ --
$15,742,269
=====
=====
=====
===== NET INCOME
PER SHARE --
BASIC.... $ 0.06 NET
INCOME PER SHARE --
DILUTED... $ 0.06
WEIGHTED AVERAGE
SHARES OUTSTANDING --
BASIC... 17,033,911
WEIGHTED AVERAGE
SHARES OUTSTANDING --
DILUTED... 17,035,494

```

See accompanying notes to Unaudited Pro Forma Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Balance Sheet

December 31, 2003

WEST HOUSTON PRO FORMA
 THE APRIL HOSPITAL AND
 DISTRIBUTIONS EFFECT
 OF 2004, PRIVATE VIBRA
 MOB DECLARED IN
 COMPLETED HISTORICAL
 PLACEMENT PROPERTIES
 DEVELOPMENT 2004
 TRANSACTIONS -----

----- ASSETS Gross
 investment in real
 estate..... \$ -- \$ -
 - \$ 127,372,195 (7)
 \$62,334,303 \$ --
 \$189,706,498

Accumulated
 depreciation and
 amortization..... -

----- Net investment
 in real estate.....
 -- -- 127,372,195
 62,334,303 --
 189,706,498

Acquisition and
 development costs...
 166,301 -- -- -- --
 166,301 ----- --

Total real estate and
 real estate related
 assets... 166,301 --
 127,372,195 62,334,303
 -- 189,872,799 Cash
 and cash
 equivalents.....
 100,000 233,501,643
 (9) (174,985,823)(7)
 (61,334,303)(8)
 (2,608,286) (10)
 (5,326,769)

Loans.....
 -- -- 49,141,944 (7)
 1,082,125 (8) --
 50,224,069 Other
 assets.....
 201,832 (201,832)(9) -

TOTAL ASSETS..... \$
 468,133 \$233,299,811 \$
 1,528,316 \$ 2,082,125

\$ (2,608,286)
 \$234,770,099
 =====
 =====
 =====
 =====
 =====

LIABILITIES AND
 STOCKHOLDERS' EQUITY
 (DEFICIT) Liabilities
 Accrued expenses....
 \$ 1,389,779 \$
 (201,832)(9) \$ -- \$ --
 \$ 2,869,115 \$

4,057,062 Deferred
revenue from real
estate
activities..... -
- -- 1,528,316 (7)
1,082,125 (8) --
2,610,441 Loan
payable.....
100,000 -- -- -- --
100,000 -----

Total liabilities...
1,489,779 (201,832)
1,528,316 1,082,125
2,869,115 6,767,503
Minority

interest..... -- -- --
- 1,000,000 (8) --
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
1,630,435 shares....
1,630 24,452 (9) -- --
-- 26,082 Additional
paid in

capital..... -
- 233,501,691 (9) -- --
- -- 233,501,691
Accumulated

deficit.....
(1,023,276) (24,500) -
- -- (5,477,401)(10)
(6,525,177) -----

Total stockholders'
equity
(deficit).....
(1,021,646)
233,501,643 -- --
(5,477,401)
227,002,596 -----

TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY
(DEFICIT).. \$ 468,133
\$233,299,811 \$
1,528,316 \$ 2,082,125
\$(2,608,286)
\$234,770,099
=====

=====

EFFECT OF EFFECT OF
THIS ACQUISITION
COMPANY OFFERING
FACILITIES PRO FORMA -

- ----- ASSETS
Gross investment in
real estate..... \$ -
- \$-- \$189,706,498
Accumulated
depreciation and
amortization..... -
- -----
-- ----- Net
investment in real
estate..... -- --
189,706,498
Acquisition and
development costs... -
- -- 166,301 -----

```

-----
Total real estate and
real estate related
assets.... -- --
189,872,799 Cash and
cash
equivalents.....
230,000,000 (11) --
224,673,231
Loans.....
-- -- 50,224,069 Other
assets..... -- -
-----
----- TOTAL
ASSETS.....
$230,000,000 $--
$464,770,099
=====
=====
LIABILITIES AND
STOCKHOLDERS' EQUITY
(DEFICIT) Liabilities
Accrued expenses....
$ -- $-- 4,057,062
Deferred revenue from
real estate
activities..... -
- -- 2,610,441 Loan
payable..... -- --
100,000 -----
----- Total
liabilities... -- --
6,767,503 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 1,630,435
shares.... -- --
26,082 Additional paid
in
capital..... -
- -- 233,501,691
Accumulated
deficit..... -
- -- (6,525,177) -----
-----
-- Total stockholders'
equity
(deficit).....
230,000,000 (11) --
457,002,596 -----
-----
TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY
(DEFICIT)..
$230,000,000 $--
$464,770,099
=====
=====

```

See accompanying notes to Unaudited Pro Forma Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Unaudited Pro Forma Consolidated Statement of Operations

Period from Inception (August 27, 2003) through December 31, 2003 (audited)

WEST HOUSTON PRO FORMA
HOSPITAL EFFECT OF EFFECT
OF VIBRA AND MOB COMPLETED
ACQUISITION COMPANY
HISTORICAL PROPERTIES
DEVELOPMENT TRANSACTIONS
FACILITIES PRO FORMA -----

----- REVENUES
Rent
income.....
\$ -- \$6,346,769(12)
\$2,606,634(13) \$ 8,953,403
\$ -- \$ 8,953,403 Interest
income from loans..... --
1,738,817(12) 40,157(13)
1,778,974 -- 1,778,974 ---

----- Total
revenues..... -
- 8,085,586 2,646,791
10,732,377 -- 10,732,377
OPERATING EXPENSES:
Depreciation and
amortization... --
1,083,599(12) 442,165(13)
1,525,764 -- 1,525,764
Property
expenses..... --
-- -- -- -- General and
administrative.....
992,418 -- -- 992,418 --
992,418 Costs of
terminated acquisitions
and
financings.....
30,858 -- -- 30,858 --
30,858 -----
----- Total
operating expenses....
1,023,276 1,083,599
442,165 2,549,040 --
2,549,040 -----

Operating income (loss)...
(1,023,276) 7,001,987
2,204,626 8,183,337 --
8,183,337 OTHER INCOME
(EXPENSES) Interest
Income..... --
-- -- -- -- Interest
expense..... --

Net other income
(expenses)... -- -- -- --

----- NET
INCOME (LOSS).....
\$(1,023,276) \$7,001,987
\$2,204,626 \$ 8,183,337 \$ -
- \$ 8,183,337 =====
===== =====
===== =====
===== NET INCOME
(LOSS) PER SHARE --
BASIC..... \$ (0.63)
NET INCOME (LOSS) PER
SHARE -- DILUTED..... \$
(0.63) WEIGHTED AVERAGE

SHARES OUTSTANDING --
BASIC... 1,630,435
WEIGHTED AVERAGE SHARES
OUTSTANDING -- DILUTED...
1,630,435

See accompanying notes to Unaudited Pro Forma Financial Statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

ADJUSTMENTS FOR UNAUDITED PRO FORMA BALANCE SHEET AS OF SEPTEMBER 30, 2004:

(1) Records the estimated total cost for the development of the Houston acute care community hospital and medical office building as though the project was completed and loans were made as of January 1, 2004.

LAND BUILDINGS -----	
Hospital.....	\$ 9,237,301 \$32,623,820
MOB.....	1,862,011 18,611,171 -----
TOTAL.....	\$11,099,312 \$51,234,991 =====

LOANS ----- Stealth,	
LP.....	\$ 1,082,125

(2) Records the issuance of million shares of common stock at a public offering price of per share less underwriting commission and other expenses, calculated as follows:

Gross Proceeds.....	\$250,000,000
Less: Underwriting discounts, commissions and other transaction costs.....	(20,000,000)
Net Proceeds.....	\$230,000,000 =====

(3) Cash distributions declared in 2004 are as follows:

Declared September 2, 2004 and paid October 11, 2004.....	\$2,608,286
Declared November 11, 2004 and payable January 11, 2005.....	2,869,115

	\$5,477,401 =====

ADJUSTMENTS FOR UNAUDITED PRO FORMA STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004:

(4) Records incremental rent income for the six Vibra properties as though we owned them as of January 1, 2004. Rent income is based on the monthly base rent as stated in the lease agreement for each property. Pro forma rent income from the Vibra properties is as follows:

INCOME FROM JANUARY 1- ANNUAL RENT SEPTEMBER 30, 2004 -----	
----- Bowling	
Green.....	\$5,471,964 \$ 4,103,973
Fresno.....	2,675,182 2,006,387

Kentfield.....	1,094,393	820,795	
Marlton.....	4,752,598	3,564,449	New
Bedford.....	3,171,528	2,378,646	
Denver.....	1,219,818	914,864	-----
TOTAL.....			
	\$18,385,483	\$13,789,114	===== Historical rent
income.....			(4,016,219) --
			----- Pro forma rent income
adjustment.....		\$ 9,772,895	
			=====

Records incremental interest income from loans to Vibra entities as though the loans were made on January 1, 2004 at the stated rate of 10.25%. The historical results show interest income for the period July 1, 2004 through September 30, 2004. Pro forma interest income from the Vibra loans is as follows:

INCOME FROM JANUARY 1- ANNUAL INTEREST SEPTEMBER 30, LOANS INCOME 2004 -----			
----- Bowling			
Green.....	\$11,771,389	\$1,206,567	\$ 904,925
Fresno.....	6,561,308	672,534	504,401
Kentfield.....	5,422,387	555,795	416,846
Marlton.....	11,203,366	1,148,345	861,259 New
Bedford.....	8,361,930	857,098	642,824
Denver.....	5,821,564	596,710	447,533 -----
			--
TOTAL.....	\$49,141,944	\$5,037,049	\$3,777,788 =====
			Historical
interest.....	(1,022,853)		----- Pro forma interest income
adjustment.....		\$2,754,935	=====

Incremental depreciation of buildings (straight line using a 40 year life) and incremental amortization of intangible lease assets (straight line using a fifteen year life) as though the properties were acquired on January 1, 2004. Pro forma depreciation and amortization is as follows:

DEPRECIATION AND AMORTIZATION FROM ANNUAL DEPRECIATION JANUARY 1 - AND AMORTIZATION SEPTEMBER 30, 2004 -----			
----- Bowling			
Green.....	944,004	\$ 708,003	\$
Fresno.....	460,284	345,213	
Kentfield.....	142,932	107,199	
Marlton.....	863,544	647,658	New
Bedford.....	554,688	416,016	
Denver.....	173,544	130,158	-----
TOTAL.....	\$3,138,996	\$2,354,247	===== Historical depreciation
and amortization.....		(928,356)	-----
			Pro forma depreciation and amortization
adjustment.....		\$1,425,891	=====

Property expenses consist primarily of payments for the ground lease at Marlton for the nine months ended September 30, 2004.

- (5) Records nine months of rent income for the Houston acute care community hospital and medical office building as though we owned them from January 1, 2004, to September 30, 2004. Rent income is based on the base rent as stated in the lease agreements between the Company and the lessee which will begin being paid upon the completion of construction of the hospital and MOB. Pro forma rent income for the Houston acute care community hospital and medical office building for the nine months ended September 30, 2004 consists of the following:

INCOME FROM JANUARY 1- ANNUAL RENT SEPTEMBER 30, 2004 -----			
Hospital.....	\$5,424,690	\$4,068,518	Medical office
building.....	1,594,704		2,126,272

TOTAL.....
\$7,550,962 \$5,663,222 =====

Records interest income from loans to Stealth, LP as though the loans were made on January 1, 2004 and interest income was earned for the nine months ended September 30, 2004, at the stated rate of 10.75%.

INCOME FROM ANNUAL INTEREST JANUARY 1- LOANS			
INCOME SEPTEMBER 30, 2004 -----			
			Stealth,
LP.....			
	\$1,082,125	\$116,328	\$87,246

Depreciation of buildings (straight line using a 40 year life) for the nine months ended September 30, 2004 as though constructing and occupying the properties was completed on January 1, 2004.

DEPRECIATION FROM ANNUAL JANUARY 1- DEPRECIATION SEPTEMBER			
30, 2004 -----			
Hospital.....	\$ 815,596	\$611,697	Medical office
building.....		465,279	
	348,959		
TOTAL.....			
	\$1,280,875	\$960,656	=====

(6) Records compensation expense related to restricted stock awards made to senior management and other employees upon completion of this offering, calculated as follows:

Shares of common stock awarded.....	114,500
Value per share of common stock.....	\$ 10.00

Total value of shares awarded.....	\$1,145,000
	=====

ADJUSTMENTS FOR UNAUDITED PRO FORMA BALANCE SHEET AS OF DECEMBER 31, 2003:

(7) Records the purchase of the Vibra properties and loans to the property lessee/operator as though the purchase took place on December 31, 2003.

BUILDINGS AND LAND INTANGIBLE ASSETS TOTAL LOANS			

			Bowling
Green.....	\$		
3,070,000	\$ 35,141,658	\$ 38,211,658	\$11,771,389
Fresno.....			
1,550,000	17,131,255	18,681,255	6,561,308
Kentfield.....			
2,520,000	5,122,332	7,642,332	5,422,387
Marlton.....			
--	32,267,622	32,267,622	11,203,366 New
Bedford.....			
1,400,000	20,677,847	22,077,847	8,361,930
Denver.....			
2,130,000	6,361,481	8,491,481	5,821,564

TOTAL.....			
	\$10,670,000	\$116,702,195	\$127,372,195
	\$49,141,944	=====	=====
		=====	=====

A reconciliation of total cost of the properties and the loans to cash used to finance the acquisition of the properties and to make the loans is as follows:

Cash used to purchase properties.....	\$127,372,195
Cash used to fund loans to the operator/lessee.....	47,613,628
Deferred revenue from real estate activities.....	1,528,316

Total.....	\$176,514,139
	=====

(8) Records the estimated total cost for the development of the Houston acute care community hospital and medical office building as though the project was completed as of December 31, 2003. The amounts below include a contribution of land by the partner in the acute care community hospital. The land was assigned a value of \$1 million and gave the partner a 5.88% interest in the acute care community hospital facility.

LAND BUILDINGS -----	
Hospital.....	

	\$ 9,237,301	\$32,623,820	Medical office	
building.....				1,862,011
	18,611,171	-----		
TOTAL.....				
	\$11,099,312	\$51,234,991	=====	=====

LOANS ----- Stealth,

LP.....
 \$1,082,125

(9) Records the issuance of 25.3 million shares of common stock at a private placement offering price less underwriting commission and other expenses, calculated as follows:

Shares issued at \$10.00 per share.....	\$236,870,970
Shares issued at \$9.30 per share to underwriters.....	14,999,998
Less: Underwriting discounts, commissions and other transaction costs.....	(18,369,325)

Net Proceeds.....	\$233,501,643
	=====

The Company issued 260,954 shares to its investment advisor at the time of the private placement for financial advisory services performed in connection with the private placement and valued the shares at \$2,609,540. The Company also adjusted the number of shares owned by its founders from 1,630,435 to 521,907. The Company had issued a warrant for 35,000 shares to a lender which the Company valued at \$24,500, which warrant could be exercised subsequent to a successful private placement.

(10) Cash distributions declared in 2004 are as follows:

Declared September 2, 2004 and paid October 11, 2004.....	\$2,608,286
Declared November 11, 2004 and payable January 11, 2005.....	2,869,115

	\$5,477,401
	=====

(11) Records the issuance of million shares of common stock at a public offering price of per share less underwriting commission and other expenses, calculated as follows:

Gross Proceeds.....	\$250,000,000
Less: Underwriting discounts, commissions and other transaction costs.....	(20,000,000)

Net Proceeds.....	\$230,000,000
	=====

ADJUSTMENTS FOR UNAUDITED PRO FORMA STATEMENT OF OPERATIONS FOR THE PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003

(12) Records rent income for the six Vibra properties as though we owned them from August 27, 2003 (inception), to December 31, 2003. Rent income is based on the monthly base rent as stated in the lease agreement for each property. Rent income for the Vibra properties consists of the following:

INCOME FROM AUGUST 27, 2003 THROUGH ANNUAL RENT DECEMBER	
31, 2003 -----	Bowling
Green.....	\$5,471,964 \$1,888,952
Fresno.....	2,675,182 923,487

Kentfield.....	1,094,393	377,790		
Marlton.....	4,752,598	1,640,623	New	
Bedford.....	3,171,528	1,094,829		
Denver.....	1,219,818	421,088	-----	-----
TOTAL.....	\$18,385,483	\$6,346,769	=====	=====

Records interest income from loans to Vibra entities as though the loans were made on August 27, 2003 (inception) and interest income was earned for the period from August 27, 2003, through December 31, 2003, at the stated rate of 10.25%.

INCOME FROM AUGUST 27, 2003 ANNUAL INTEREST THROUGH LOANS			
INCOME DECEMBER 31, 2003 -----			
			Bowling
Green.....	\$11,771,389	\$1,206,567	\$ 416,514
Fresno.....	6,561,308	\$ 672,534	232,162
Kentfield.....	5,422,387	\$ 555,795	191,863
Marlton.....	11,203,366	\$1,148,345	396,415 New
Bedford.....	8,361,930	\$ 857,098	295,875
Denver.....	5,821,564	\$ 596,710	205,988 -----

TOTAL.....	\$49,141,944	\$5,037,049	\$1,738,817 =====
			=====

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 period from August 27, 2003, (inception) through December 31, 2003, as though the properties were acquired on August 27, 2003.

DEPRECIATION AND ANNUAL AMORTIZATION FROM DEPRECIATION			
AUGUST 27, 2003 AND THROUGH AMORTIZATION DECEMBER 31, 2003			
			Bowling
Green.....			\$
	944,004	\$ 325,875	
Fresno.....	460,284	158,893	
Kentfield.....	142,932	49,341	
Marlton.....	863,544	298,100	New
Bedford.....	554,688	191,481	
Denver.....	173,544	59,909	-----
TOTAL.....	\$3,138,996	\$1,083,599	=====
			=====

(13) Records operating results for Houston acute care community hospital and medical office building as though we owned them from August 27, 2003 (inception), to December 31, 2003. Rent income is based on the base rent as stated in the lease agreements between the Company and the lessee which will begin being paid upon the completion of construction of the acute care community hospital and MOB. Pro forma rent income for the Houston acute care community hospital and medical office building Development consists of the following:

INCOME FROM AUGUST 27, 2003 THROUGH ANNUAL RENT DECEMBER			
31, 2003 -----			
Hospital.....	\$5,424,690	\$1,872,633	
MOB.....	2,126,272	734,001	-----
TOTAL.....	\$7,550,962	\$2,606,634	=====
			=====

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of Medical Properties Trust, Inc. and subsidiary as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the period from inception (August 27, 2003) through December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 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 subsidiary at December 31, 2003, and the results of their operations and their cash flows for the period from inception (August 27, 2003) through December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

September 17, 2004
Birmingham, Alabama

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
September 30, 2004 (Unaudited) and December 31, 2003 (Audited)

SEPTEMBER 30, 2004	DECEMBER 31, 2003	-----	---
----- (UNAUDITED) (AUDITED) ASSETS Gross			
investment in real estate.....			
\$127,372,195	\$	-- Accumulated depreciation and	
amortization.....	(928,356)	--	-----
----- Net investment in real			
estate.....	126,443,839	-- Acquisition	
and development costs.....	16,225,907		
166,301	-----	Total real estate and real	
estate related assets.....	142,669,746	166,301	Cash and
cash equivalents.....			
50,418,213	100,000	Interest	
receivable.....		383,413	
-- Unbilled rent			
receivable.....		1,142,186	--
Loans.....			-----
48,223,885	--	Other	
assets.....			
841,463	201,832	-----	-----
TOTAL			
ASSETS.....			
\$243,678,906	\$ 468,133	=====	=====
LIABILITIES			
AND STOCKHOLDERS' EQUITY (DEFICIT) Liabilities Accounts			
payable and accrued expenses.....	\$		
5,810,567	\$ 1,389,779	Deferred	
revenue.....		2,610,441	
-- Lease			
deposit.....			
3,296,365	--	Loan	
payable.....			--
100,000	-----	Total	
liabilities.....			
11,717,373	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 1,630,435 shares at December 31,			
2003, and 26,082,862 at September 30,			
2004.....			
26,082	1,630	Additional paid in	
capital.....		233,501,691	--
Accumulated deficit.....			-----
(2,566,240)	(1,023,276)	-----	-----
Total			
stockholders' equity (deficit).....			
230,961,533	(1,021,646)	-----	-----
TOTAL			
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)...			
\$243,678,906	\$ 468,133	=====	=====

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Period from Inception (August 27, 2003) through December 31, 2003 (Audited)
and Nine Months Ended September 30, 2004 (Unaudited)

FOR THE NINE MONTHS ENDED PERIOD FROM INCEPTION
SEPTEMBER 30, (AUGUST 27, 2003) 2004 THROUGH DECEMBER
31, 2003 -----

(UNAUDITED) (AUDITED) REVENUES

Rent.....			
	\$ 4,016,219	\$ --	Interest income from
loans.....		1,022,853	-- -----
			----- Total
revenues.....			
	5,039,072	--	EXPENSES: Depreciation and
amortization.....		928,356	--
			Property
expenses.....		34,902	
			-- General and
administrative.....		3,259,657	
	992,418		Costs of terminated
acquisitions.....		350,923	30,858 ---
			----- Total Operating
Expenses.....		4,573,838	
1,023,276			----- Operating income
(loss).....		465,234	(1,023,276)
			OTHER INCOME (EXPENSE) Interest
income.....		667,857	
			-- Interest
expense.....			
(32,769)			----- Net other
income.....		635,088	--
			----- FEDERAL AND STATE INCOME
TAXES-CURRENT.....		(35,000)	-- -----
			----- NET INCOME
(LOSS).....		\$ 1,065,322	
\$(1,023,276)	=====	=====	NET INCOME (LOSS)
PER SHARE, BASIC.....		\$ 0.06	\$ (0.63)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC.....			
17,033,911	1,630,435	NET INCOME (LOSS) PER SHARE,	
DILUTED.....		\$ 0.06	\$ (0.63) WEIGHTED AVERAGE
SHARES OUTSTANDING, DILUTED.....		17,035,494	1,630,435

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Period from Inception (August 27, 2003) through December 31, 2003 (Audited)

and Nine Months Ended September 30, 2004 (Unaudited)

PERIOD FROM INCEPTION NINE MONTHS ENDED (AUGUST 27, 2003) THROUGH SEPTEMBER 30, 2004 DECEMBER 31, 2003 --

(UNAUDITED)	(AUDITED)
OPERATING ACTIVITIES	Net income
(loss).....	\$
1,065,322	\$(1,023,276)
Adjustments to reconcile net	
income (loss) to net cash provided by operating	
activities	
Depreciation and	
amortization.....	934,548 --
Unbilled rent	
revenue.....	(1,142,186)
-- Warrant issued to	
lender.....	24,500 --
Increase in: Interest	
receivable.....	
(383,413) -- Other	
assets.....	
(164,648) -- Increase in: Accounts payable and	
accrued expenses.....	1,812,503 1,391,409
-----	-----
Net cash provided by	
operating activities.....	2,146,626
368,133	INVESTING ACTIVITIES
Acquisitions of real	
estate.....	(127,372,195) --
Additions to loans	
receivable.....	(42,317,079) --
Acquisition and development	
costs.....	(15,059,606) (166,301)
Additions to property and	
equipment.....	(492,762) --
-----	-----
Net cash used for investing	
activities.....	(185,241,642)
(166,301)	FINANCING ACTIVITIES
Additions to loan	
payable.....	200,000
100,000	Payment of loan
payable.....	(300,000) --
Increase in deferred financing	
costs.....	(190,245) (201,832)
Proceeds from sale of common stock, net of offering	
costs.....	
233,703,474	--
-----	-----
Net cash	
provided by (used for) financing activities.....	
233,413,229	(101,832)
-----	-----
Net	
cash increase for	
period.....	50,318,213
100,000	Cash at beginning of
period.....	100,000 --
-----	-----
CASH AND CASH EQUIVALENTS AT END	
OF PERIOD.....	\$ 50,418,213 \$ 100,000
=====	=====
Supplemental schedule of	
non-cash investing activities: Additions to loans	
receivable for lease deposits and deferred	
revenue.....	\$
5,906,806	\$ --
Supplemental schedule of non-cash	
financing activities	
Conversion of accounts payable	
and accrued expenses to common	
stock.....	\$ -- \$
1,630	Distributions declared, not
paid.....	2,608,286 --
Minority	
interest granted for contribution of land to	
development project.....	
1,000,000	--

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

Period from Inception (August 27, 2003) through December 31, 2003 (Audited)

and Nine Months Ended September 30, 2004 (Unaudited)

PREFERRED COMMON RETAINED TOTAL -----				

ADDITIONAL PAID EARNINGS STOCKHOLDERS' SHARES PAR VALUE SHARES PAR VALUE IN CAPITAL (DEFICIT) 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, DECEMBER 31, 2003... -- -- 1,630,435 1,630 -- (1,023,276)				
(1,021,646) Redemption of founders' shares.....	--	--	--	--
-- -- (1,108,527) (1,109)				
1,109 -- -- Issuance of common stock (net of offering costs).....	--	--	--	--
-- -- 25,560,954 25,561				
233,476,082 -- 233,501,643				
Value of warrants issued to lender.....	--	--	--	--
-- -- 24,500 --				
24,500 Distributions declared.....	--	--	--	--
-- (2,608,286) (2,608,286)				
Net income.....	--	--	--	--
-- -- 1,065,322				
1,065,322 -----				

BALANCE, SEPTEMBER 30, 2004 (UNAUDITED).....	--	--	--	--
-- \$ -- 26,082,862 \$26,082				
\$233,501,691 \$(2,566,240)				
\$230,961,533 =====				
=====				
=====				
=====				

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003 (AUDITED) AND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 financial statements.

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 25.3 million shares of common stock in a private placement to qualified institutional buyers and accredited investors. The Company netted \$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.

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

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003 (AUDITED) AND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

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 and amortized over the lives of the related loans. 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 sale of the property. 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 to produce a constant effective yield on the loan (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). Base 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. Percentage rents are recognized in the period in which revenue thresholds are met. Differences between rental revenues earned and amounts due per the respective lease agreements are charged, as applicable, to unbilled rent receivable. 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 on the straight-line basis over the initial term of the lease. Fees from lending services are recorded as deferred revenue and recognized as income over the life of the loan to produce a constant effective yield on the loan (interest method).

Real Estate Purchase Price Allocation: 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 (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 the Company's strategy to a large degree 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.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003 (AUDITED) AND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

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 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.

The Company amortizes the value of in-place leases, if any, to expense over the initial term of the respective leases, which are expected 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.

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.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003 (AUDITED) AND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

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.

Loss Per Share: The Company reports earnings per share pursuant to SFAS No. 128, Earnings Per Share. Basic loss per share is computed by dividing the loss to common stockholders by the weighted average number of common shares and potential common stock outstanding during the period. Diluted net income per share is computed by dividing the net income 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. The effect of dilutive securities on the computation of loss per share in 2003 and 2004 is not material.

Income Taxes: As of December 31, 2003, the Company and its subsidiaries are each a Subchapter-S corporation, limited partnership or limited liability company that is treated as a partnership for income tax purposes. As a result, no federal or state income taxes are payable by the Company and accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Subchapter-S shareholders, partners or members are required to include their respective shares of the Company's profits or losses in their individual tax returns. For the year ending December 31, 2004, the Company will make an election to be taxed as a real estate investment trust (REIT), under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code) and anticipates being taxed as such beginning with its taxable year ending December 31, 2004. 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 ("APB") Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations. Under APB No. 25, no

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

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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 fair value of these assets and liabilities using various methods, as follows: cash and cash equivalents, accrued interest receivable, billed rent receivable, accounts payable and accrued expenses payable -- carrying value due their short-term maturity; and, loans receivable, unbilled rent receivable and debt due over more than one year -- discounted future cash flows using a current market interest rate.

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, "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 interim or 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 has not determined the effect, if any, that SFAS No. 123(R) will have on its financial position or the results of its 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 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 nine month period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

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. The Company also made loans of \$33.2 million to the lessee/operator. On August 18, 2004, the Company purchased two additional rehabilitation facilities for \$30.6 million, which were then leased to the same operator, and made additional loans to the lessee/operator of \$13.5 million. The Company made an additional \$2 million loan to this operator 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 and are to be repaid on or before January 1, 2005. For these transactions, the lessee/operator will pay fees of \$1.5 million to the Company for transacting the leases and loans.

The Company has determined that the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003 (AUDITED) AND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

operator is a variable interest entity as defined by FIN 46-R. The Company has also determined that it is not the primary beneficiary of the operator and, therefore, has not consolidated the operator in the Company's consolidated financial statements.

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. The principal owner of Vibra has pledged his 100% interest in Vibra. In addition, the principal owner of Vibra, The Hollinger Group and Vibra Management, LLC, another affiliate of the principal owner of Vibra, have guaranteed the repayment of the loans and the payment of the commitment fees. However, the personal liability of the principal owner of Vibra is limited to \$5 million.

4. LOANS 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 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.

5. COMMITMENTS AND CONTINGENCIES (UNAUDITED)

In June 2004, the Company contracted to fund the construction and development costs 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 September 30, 2004, the Company has funded \$16.2 million of the cost which has been financed with funds from the April 6, 2004 private placement. Construction and development contracts at September 30, 2004, total \$31.3 million.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

Fixed minimum payments due under operating leases with non-cancellable terms of more than one year at September 30, 2004 are as follows:

2005.....	\$ 326,667
2006.....	326,667
2007.....	326,667
2008.....	326,667
2009.....	326,667
Thereafter.....	2,186,438

	\$3,843,313
	=====

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.

Each of our original independent directors received 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. In addition to these options to purchase common stock, each independent directors has been awarded 2,500 deferred stock units, 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. A roll forward of option activity for the period subsequent to December 31, 2003, is as follows (unaudited):

SHARES EXERCISE PRICE -----	Outstanding at
January 1, 2004.....	-- --
Granted.....	100,000 \$10.00
Exercised.....	-- --
Forfeited.....	-- --
-- -- -----	Outstanding at September 30,
2004.....	100,000 \$10.00 =====
=====	Options exercisable at September 30,
2004.....	33,333 \$10.00 Weighted-average
	grant-date fair value of options granted... \$1.21

Options exercisable at September 30, 2004, are as follows:

OPTIONS
OPTIONS
AVERAGE
REMAINING
EXERCISE
PRICE
OUTSTANDING
EXERCISABLE
CONTRACTUAL
LIFE
(YEARS) -

--- \$10.00
100,000
33,333 9.6

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

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PERIOD FROM INCEPTION (AUGUST 27, 2003) THROUGH DECEMBER 31, 2003 (AUDITED) AND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

The Company follows APB No. 25 and related Interpretations in accounting for the Equity Incentive Plan. In accordance with APB 25, no compensation expense has been recognized. Had compensation expense for the Equity Incentive Plan been determined based on the fair value at the grant dates for awards under the Equity Incentive Plan consistent with the methods prescribed in SFAS No. 123, the Company's net loss and loss per share for the nine months ended September 30, 2004, would have been increased by \$67,000 and no per share effect, respectively.

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 (UNAUDITED)

For the properties purchased in July and August, 2004 and currently under development (see Notes 3 and 7), minimum rentals due in future periods under operating leases which have non-cancelable terms extending beyond one year at September 30, 2004, are as follows:

2005.....	\$ 18,385,482
2006.....	18,385,482
2007.....	18,385,482
2008.....	18,385,482
2009.....	18,385,482
Thereafter.....	184,220,767

	\$276,148,178
	=====

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 general acute care hospital and adjacent medical office building in Texas on land that is leased to the operator/tenant. During the development and construction period, the tenant is charged rent based on the lease rate (which averages 10.4%) and the amount funded, which aggregated \$16,225,907 at September 30, 2004. Upon completion of development, 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. The Company expects to complete the construction of the hospital and the medical office building in October 2005 and August 2005, respectively.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 (UNAUDITED) -- (CONTINUED)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

SEPTEMBER 30, 2004 (UNAUDITED)			
DECEMBER 31, 2003 -----			

BOOK FAIR	BOOK FAIR	VALUE	VALUE
VALUE	VALUE	-----	-----
- ----- Cash and			
cash equivalents.....			
\$50,418,213	\$50,418,213	\$ 100,000	
	\$ 100,000	Interest	
receivable.....	383,413		
	383,413	-- --	Unbilled rent
receivable.....	1,142,186		
	1,142,186	-- --	
Loans.....			
48,223,885	-- --	Accounts payable	
		and accrued	
expenses.....			
5,810,567	5,810,567	1,389,779	
		1,389,779	

9. SUBSEQUENT EVENT (UNAUDITED)

In December 2004, the Company received \$56 million as part of a \$75 million, three year term 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 a current interest rate of 5.17%. The loan is secured by the six Vibra facilities and requires the Company to meet financial coverage, ratio and total debt covenants typical of such loans. Funding of the remaining \$19 million is subject to the lender's acceptance of an appropriate estoppel from a ground lessor or alternative assurances from the Company.

The Company has closed a \$43 million loan with a bank to finance the construction of the Company's medical office building and acute care community hospital development project in 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. 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 (currently 4.42%) during the construction period and one month LIBOR plus 250 basis points (currently 4.67%) during the thirty month optional period.

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

(UNAUDITED)

ADDITIONS SUBSEQUENT TO
INITIAL COSTS ACQUISITION -

- BUILDING AND LOCATION
TYPE OF PROPERTY LAND
INTANGIBLES IMPROVEMENTS
CARRYING COSTS - -----

Rehabilitation Bowling Green, KY.....	hospital \$ 3,070,000		
	\$35,141,658	\$ --	\$ --
Rehabilitation Thornton, CO.....	hospital 2,130,000		
	6,361,481	--	--
Rehabilitation Fresno, CA.....	hospital 1,550,000		
	17,131,255	--	-- Long term acute Kentfield,
CA.....	care hospital 2,520,000		
	5,122,332	--	--
Rehabilitation Marlton, NJ.....	hospital -- 32,267,622	--	--
	- Long term acute New Bedford,		
NJ.....	care hospital 1,400,000		
	20,677,847	--	--

	TOTAL		
	\$10,670,000	\$116,702,195	\$
	--	\$ --	=====
	=====	=====	=====
	=====		

COST AT SEPTEMBER 30, 2004 -----

----- BUILDING AND ACCUMULATED
DATE OF LOCATION LAND
INTANGIBLES(1) TOTAL
DEPRECIATION CONSTRUCTION - -----

----- Bowling Green, KY.....		\$	
	3,070,000	\$ 35,141,658	\$
	38,211,658	\$414,444	1992
	Thornton,		
CO.....	2,130,000	6,361,481	8,491,481
	18,377	1962,	1975 Fresno,
CA.....	1,550,000	17,131,255	18,681,255
	121,042	1990	Kentfield,
CA.....	2,520,000	5,122,332	7,642,332
	22,040	1963	Marlton,
NJ.....	-- 32,267,622	32,267,622	
	2645,565	1994	New Bedford,
NJ.....	1,400,000	20,677,847	22,077,847
	87,888	1962,	1975, 1992

	TOTAL	\$10,670,000	
	\$116,702,195	\$127,372,195	
	\$928,356	=====	
	=====	=====	=====
	=====		

DATE DEPRECIABLE LOCATION
ACQUIRED LIFE (YEARS) - -----

Bowling Green,

KY..... July
1, 2004 40 Thornton,
CO.....
August 17, 2004 40 Fresno,
CA.....
July 1, 2004 40 Kentfield,
CA.....
July 1, 2004 40 Marlton,
NJ.....
July 1, 2004 40 New Bedford,
NJ.....
August 17, 2004 40 TOTAL

SEPTEMBER 30, 2004 DECEMBER 31, 2003

COST Balance at beginning of
period..... \$ -- \$ --
Additions during the period
Acquisitions.....
127,372,195 -- -----
Balance at end of
period..... \$127,372,195
\$ -- =====

SEPTEMBER 30, 2004 DECEMBER 31, 2003

ACCUMULATED DEPRECIATION Balance at
beginning of period..... \$ --
\$ -- Additions during the period
Depreciation.....
928,356 -- -----
Balance at end of
period..... \$ 928,356 \$
-- =====

(1) The gross cost for Federal income tax purposes is \$116,702,195.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Highmark Healthcare, LLC

Mechanicsburg, Pennsylvania

We have audited the accompanying consolidated balance sheet of Highmark Healthcare, LLC and subsidiaries (the "Company") as of June 30, 2004. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of the Company as of June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Parente Randolph, LLC

Parente Randolph, LLC
Harrisburg, Pennsylvania
October 18, 2004

HIGHMARK HEALTHCARE LLC

AND SUBSIDIARIES

Consolidated Balance Sheet
June 30, 2004

ASSETS

Cash.....	\$1,000
	=====

LIABILITIES AND MEMBERS EQUITY

Due to affiliate.....	\$1,000
Members equity.....	--

Total.....	\$1,000
	=====

HIGHMARK HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Highmark Healthcare LLC ("Highmark") was formed in May 2004 for the purpose of acquiring the operations of rehabilitation hospitals. Highmark began operating four independent rehabilitation hospitals ("IRF") and two long-term acute care hospitals ("LTACH") located throughout the United States in July and August 2004. Highmark, a Delaware limited liability company ("LLC"), is a single member LLC.

Principle of Consolidation: The consolidated financial statements include the accounts of Highmark and its wholly owned subsidiaries controlled through sole membership interests in limited liability companies. All significant intercompany balances and transactions are eliminated in consolidation.

Due to Affiliate: Due to affiliate represents an advance from a company owned by the sole member of Highmark.

Use of Estimates: The preparation of a balance sheet in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the balance sheet. Accordingly, actual amounts could differ from those estimates.

Income Taxes: Highmark has elected to be a LLC for federal and state income tax purposes. In lieu of corporate income taxes, the member(s) of a LLC are 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 balance sheet.

2. BASIS OF PRESENTATION

Highmark is in the early stages of its existence and is heavily dependent on debt financing. As a result of transactions occurring subsequent to June 30, 2004 (Note 3), Highmark incurred significant amounts of debt and significant lease obligations. In order for Highmark to service its obligations and comply with terms of its debt and lease obligations, including achieving certain financial ratios related to cash flow, it will need to demonstrate the ability to operate the acquired hospitals in a profitable manner with the requisite cash flows. There can be no assurance that Highmark will in fact meet all of its current and future obligations, and that if the obligations are met that Highmark will continue as a going concern. The financial statements do not include any adjustments that might be necessary if Highmark is unable to continue as a going concern.

3. SUBSEQUENT EVENT

On July 1, 2004 Highmark entered into an agreement with Medical Properties Trust, Inc. (MPT), whereby Highmark would operate four hospitals. The acquisition was financed by MPT, a healthcare real estate investment trust based in Birmingham, Alabama. MPT acquired the real estate for approximately \$128 million and assigned to Highmark its rights to acquire the operations of the hospitals from Care One Realty of Hackensack, New Jersey for approximately \$40 million which was financed by MPT. The assignment of the LLC interests to Highmark transferred the operations, assets and liabilities of each LLC. On August 17, 2004, Highmark entered into similar agreements with MPT for the acquisition of the

HIGHMARK HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET -- (CONTINUED)

operations of two additional hospitals. The following table summarizes the 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) Highmark 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 Highmark.
- (2) Includes beds licensed as skilled nursing and beds licensed as psychiatric.

Highmark financed its acquisitions through loans from MPT. The following table summarizes the fair value of the assets acquired and liabilities assumed at the dates of acquisition. Highmark is in the process of obtaining third-party valuations of certain intangible assets; thus the allocation of the purchase price is subject to refinement.

(IN THOUSANDS)		-----	Current
assets			
	\$15,100	Property, plant and	
		equipment	800
Goodwill			
	30,400	Current	
liabilities			
	(6,300)	Notes	
payable			
	\$40,000	=====	

Highmark has entered into agreements with Highmark 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 revenue, and are for an initial term of five years with automatic one-year renewals.

LEASES

Highmark entered into long-term real estate leases with MPT at each hospital. Each lease is for an initial term of 15 years and contains renewal options at Highmark's option for three additional five-year terms. Highmark 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 rates 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. Beginning January 1, 2005, if the aggregate net revenues of the six hospitals exceed an annualized revenue run rate of \$110,000,000, percentage rent equal to 2% of net revenue is due the following month.

HIGHMARK HEALTHCARE, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET -- (CONTINUED)

In addition the leases are subject to various financial covenants including limitations on total debt, minimum cash flow coverage and maintenance of average daily patient census. A default in any of the loan terms noted below will also constitute a default under the leases.

Minimum future lease obligations on the MPT leases are as follows:

(IN THOUSANDS) ----- June 30,	
2005.....	\$ 12,735
2006.....	15,874
2007.....	16,271
2008.....	16,675
2009.....	17,092
Thereafter.....	196,277 ----- \$274,924 =====

NOTES PAYABLE

In July and August 2004 in conjunction with the assignment of the LLC interests to Highmark, MPT advanced \$40 million to Highmark. In subsequent transactions MPT loaned an additional \$9.2 million to Highmark. The proceeds of the notes were used as follows:

(IN THOUSANDS) ----- Acquisition of LLC	
interests.....	\$37,500
capital.....	Working
deposits.....	6,250 Lease
fee.....	3,300 Transaction costs and commitment
	2,150 ----- \$49,200
	=====

The loans bear interest at 10.25%. A note for \$6.2 million is interest only through December 31, 2004 with a balloon payment due on January 1, 2005. The remaining \$43.0 million in notes is payable interest only for the first 36 months and then amortized over the next 12 years with a final maturity in 2019. Highmark may prepay the notes at any time without penalty. Maturities for the next five years are:

(IN THOUSANDS) ----- June 30,	
2005.....	\$ 6,200
2006.....	--
2007.....	--
2008.....	2,591
2009.....	2,870
Thereafter.....	37,539 ----- \$49,200 =====

Substantially all of the assets of Highmark and its subsidiaries as well as Highmark's membership interests in its subsidiaries secure the loans. In addition the sole member of Highmark, an affiliated company owned by the sole member and Highmark Management, LLC have guaranteed the \$49.2 million in notes payable to MPT, although the obligation of the sole member is limited to \$5 million and his membership interest in Highmark.

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.

SHARES

(MEDICAL PROPERTIES TRUST LOGO)
COMMON STOCK

PROSPECTUS

FRIEDMAN BILLINGS RAMSEY

JPMORGAN

, 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 and NASD fee are estimates.

AMOUNT TO BE PAID -----	SEC registration
fee.....	31,675 NASD
Fee.....	
	25,500 NYSE Listing
Fees.....	* Transfer
agent and registrar fees.....	* Legal
fees and expenses.....	*
	Accounting fees and
expenses.....	* Printing and
mailing fees.....	*
Miscellaneous.....	
	*
Total.....	*

- - - - -

* 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 with 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 \$.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 preceding 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 100,000 shares of common stock, and awarded 12,500 deferred stock units, to our independent directors. In granting these options to purchase common stock and deferred stock units, 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 553,908 shares of our common stock, including shares purchased in our April 2004 private placement. We relied upon Section 4(2) of the Securities Act in issuing these shares of common stock to our founders.

ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

We maintain a directors and officers liability insurance policy. Our charter limits the personal liability of our directors and officers for monetary damages to the fullest extent permitted under current Maryland law, and our charter and bylaws provide that a director or officer shall be indemnified to the fullest extent required or permitted by Maryland law from and against any claim or liability to which such director or officer may become subject by reason of his or her status as a director or officer of our company. Maryland law allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in a proceeding unless the following can be established:

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

Our stockholders have no personal liability for indemnification payments or other obligations under any indemnification agreements or arrangements. However, indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals.

This provision for indemnification of our directors and officers does not limit a stockholder's ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us or to our stockholders, although these equitable remedies may not be effective in some circumstances.

In addition to any indemnification to which our directors and officers are entitled pursuant to our charter and bylaws and the MGCL, our charter and bylaws provide that we may indemnify other employees and agents to the fullest extent permitted under Maryland law, whether they are serving us or, at our request, any other entity.

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

indemnification. We are to pay expenses within 20 days of receiving the indemnitee's written request for such an advance. Indemnitees are entitled to select counsel to defend against indemnifiable claims.

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

ITEM 35. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED.

None of the proceeds will be credited to an account other than the appropriate capital share account.

ITEM 36. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements. See page F-1 for an index of the financial statements included in the Registration Statement.

(b) Exhibits. The following exhibits are filed as part of this registration statement on Form S-11.

EXHIBIT NUMBER EXHIBIT TITLE ----- -----
----- 1.1*
Form of Underwriting Agreement 3.1
Registrant's Second Articles of Amendment and Restatement 3.2
Registrant's Amended and Restated Bylaws 4.1*
Form of Common Stock Certificate 5.1*
Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to the legality of the shares being registered 8.1*
Opinion of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. with respect to certain tax matters 10.1* First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. 10.2*
Amended and Restated 2004 Equity Incentive Plan 10.3

Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated September 10, 2003
10.4 First Amendment to

Employment Agreement between the Registrant and Edward K. Aldag, Jr., dated March 8, 2004
10.5

Employment Agreement between the Registrant and Emmett E. McLean, dated September 10, 2003
10.6

Employment Agreement between the Registrant and R. Steven Hamner, dated September 10, 2003
10.7

Amended and Restated Employment Agreement between the Registrant and William G.

McKenzie, dated September 10, 2003

10.8 Lease Agreement between MPT West

Houston MOB, L.P. and Stealth L.P., dated June 17, 2004.
10.9

Lease Agreement between MPT West

Houston Hospital, L.P. and Stealth L.P., dated June 17, 2004.
10.10

Third Amended and Restated

Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane

Operating Company, LLC, dated December

20, 2004.
10.11 First
Amendment
to Third
Amended and
Restated
Lease
Agreement
between
1300
Campbell
Lane, LLC
and 1300
Campbell
Lane
Operating
Company,
LLC, dated
December
31, 2004.

10.12
Second
Amended and
Restated
Lease
Agreement
between 92
Brick Road,
LLC and 92
Brick Road,
Operating
Company,
LLC, dated
December
20, 2004.

EXHIBIT
NUMBER
EXHIBIT
TITLE -----

----- 10.13
First
Amendment
to Second
Amended and
Restated
Lease
Agreement
between 92
Brick Road,
LLC and 92
Brick Road,
Operating
Company,
LLC, dated
December
31, 2004.
10.14 Third
Amended and
Restated
Lease
Agreement
between San
Joaquin
Health Care
Associates
Limited
Partnership
and 7173
North
Sharon
Avenue
Operating
Company,
LLC, dated
December
20, 2004.
10.15 First
Amendment
to Third
Amended and
Restated
Lease
Agreement
between San
Joaquin
Health Care
Associates
Limited
Partnership
and 7173
North
Sharon
Avenue
Operating
Company,
LLC, dated
December
31, 2004.
10.16
Second
Amended and
Restated
Lease
Agreement
between
8451 Pearl
Street, LLC
and 8451
Pearl
Street
Operating
Company,
LLC, dated
December
20, 2004.
10.17 First
Amendment
Second
Amended and
Restated
Lease

Agreement
between
8451 Pearl
Street, LLC
and 8451
Pearl
Street
Operating
Company,
LLC, dated
December
31, 2004.

10.18
Second
Amended and
Restated

Lease
Agreement
between
4499
Acushnet
Avenue, LLC
and 4499
Acushnet
Avenue
Operating
Company,
LLC, dated
December
20, 2004.

10.19 First
Amendment
to Second
Amended and
Restated

Lease
Agreement
between
4499
Acushnet
Avenue, LLC
and 4499
Acushnet
Avenue
Operating
Company,
LLC, dated
December
31, 2004.

10.20 Third
Amended and
Restated

Lease
Agreement
between
Kentfield
THCI
Holding
Company,
LLC and
1125 Sir
Francis
Drake
Boulevard
Operating
Company,
LLC, dated
December
20, 2004.

10.21 First
Amendment
to Third
Amended and
Restated

Lease
Agreement
between
Kentfield
THCI
Holding
Company,
LLC and
1125 Sir
Francis
Drake
Boulevard
Operating
Company,
LLC, dated
December
31, 2004.

10.22 Loan Agreement between Colonial Bank, N.A., and MPT West Houston MOB, L.P., dated December 17, 2004.

10.23 Loan Agreement between Colonial Bank, N.A., and MPT West Houston Hospital, L.P., dated December 17, 2004.

21.1* Subsidiaries of the Registrant

23.1 Consent of KPMG LLP

23.2 Consent of Parente Randolph, LLC

23.3* Consent of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.

(included in Exhibits 5.1 and 8.1)

24.1 Power of Attorney, included on signature page of the Registrant's Form S-11 filed with the Commission on October 26, 2004.

- - - - -

* To be filed by amendment.

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 January 5, 2005.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. STEVEN HAMNER

R. Steven Hamner

Executive Vice President and

Chief Financial Officer

POWER OF ATTORNEY

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 indicated.

SIGNATURE
TITLE DATE

EDWARD K.
ALDAG, JR.
Chairman
of the
Board,
January 5,
2005 *
President,
Chief
Executive

Officer
and
Secretary
Edward K.
Aldag, Jr.

/s/ R.

STEVEN

HAMNER

Executive

Vice

President

and

January 5,

2005 - - -

Chief

Financial

Officer R.

Steven

Hamner G.

STEVEN

DAWSON

January 5,

2005 *

Director -

G. Steven

Dawson

KEITH T.

GHEZZI,
M.D.
January 5,
2005 *
Director -

Keith T.
Ghezzi,
M.D.
JOSEPH V.
GREEN
January 5,
2005 *
Director -

Joseph V.
Green
ROBERT E.
HOLMES,
PH.D.
January 5,
2005 *
Director -

Robert E.
Holmes,
Ph.D.
WILLIAM G.
MCKENZIE
January 5,
2005 *
Vice
Chairman
of the
Board - --

William G.
McKenzie

SIGNATURE
TITLE
DATE ---

-
CHARLES
C. PITTS
January
5, 2005
*

Director

Charles
C. Pitts
*By: /s/
R.

STEVEN
HAMNER
January
5, 2005

R.
Steven
Hamner
Attorney-
in-Fact

EXHIBIT
NUMBER
EXHIBIT
TITLE -----

----- 1.1*
Form of
Underwriting
Agreement
3.1
Registrant's
Second
Articles of
Amendment
and
Restatement
3.2
Registrant's
Amended and
Restated
Bylaws 4.1*
Form of
Common
Stock
Certificate
5.1*
Opinion of
Baker,
Donelson,
Bearman,
Caldwell &
Berkowitz,
P.C. with
respect to
the
legality of
the shares
being
registered
8.1*
Opinion of
Baker,
Donelson,
Bearman,
Caldwell &
Berkowitz,
P.C. with
respect to
certain tax
matters
10.1* First
Amended and
Restated
Agreement
of Limited
Partnership
of MPT
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Partnership,
L.P. 10.2*
Amended and
Restated
2004 Equity
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Plan 10.3
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Registrant
and Edward
K. Aldag,
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10, 2003
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Amendment
to
Employment
Agreement
between the
Registrant
and Edward
K. Aldag,
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March 8,
2004 10.5
Employment

Agreement
between the
Registrant
and Emmett
E. McLean,
dated
September
10, 2003
10.6
Employment
Agreement
between the
Registrant
and R.
Steven
Hamner,
dated
September
10, 2003
10.7
Amended and
Restated
Employment
Agreement
between the
Registrant
and William
G.
McKenzie,
dated
September
10, 2003
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Agreement
between MPT
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and Stealth
L.P., dated
June 17,
2004. 10.9
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Agreement
between MPT
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Houston
Hospital,
L.P. and
Stealth
L.P., dated
June 17,
2004. 10.10
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Restated
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and 1300
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Campbell
Lane, LLC
and 1300
Campbell
Lane
Operating
Company,
LLC, dated
December
31, 2004.
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Second

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10.13 First Amendment to Second

Amended and Restated Lease Agreement between 92 Brick Road, LLC and 92 Brick Road, Operating Company, LLC, dated December 31, 2004.

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Amended and Restated Lease Agreement between San Joaquin Health Care Associates Limited Partnership and 7173 North Sharon Avenue Operating Company, LLC, dated December 31, 2004.

10.16 Second Amended and Restated

Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 20, 2004.

10.17 First Amendment to Second

Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 31, 2004.
10.18

Second Amended and Restated Lease Agreement between 4499 Acushnet Avenue, LLC and 4499 Acushnet Avenue Operating Company, LLC, dated December 20, 2004.
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10.19 First Amendment to Second Amended and Restated Lease Agreement between 4499 Acushnet Avenue, LLC and 4499 Acushnet Avenue Operating Company, LLC, dated December 31, 2004.

EXHIBIT
NUMBER
EXHIBIT
TITLE -----

----- 10.20
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between
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THCI
Holding
Company,
LLC and
1125 Sir
Francis
Drake
Boulevard
Operating
Company,
LLC, dated
December
20, 2004.
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Amendment
to Third
Amended and
Restated
Lease
Agreement
between
Kentfield
THCI
Holding
Company,
LLC and
1125 Sir
Francis
Drake
Boulevard
Operating
Company,
LLC, dated
December
31, 2004.
10.22 Loan
Agreement
between
Colonial
Bank, N.A.,
and MPT
West
Houston
MOB, L.P.,
dated
December
17, 2004.
10.23 Loan
Agreement
between
Colonial
Bank, N.A.,
and MPT
West
Houston
Hospital,
L.P., dated
December
17, 2004.
21.1*
Subsidiaries
of the
Registrant
23.1
Consent of
KPMG LLP
23.2
Consent of
Parente
Randolph,
LLC 23.3*
Consent of
Baker,
Donelson,

Bearman,
Caldwell &
Berkowitz,
P.C.
(included
in Exhibits
5.1 and
8.1) 24.1
Power of
Attorney,
included on
signature
page of the
Registrant's
Form S-11
filed with
the
Commission
on October
26, 2004.

- - - - -

* To be filed by amendment.

MEDICAL PROPERTIES TRUST, INC.
SECOND ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST: MEDICAL PROPERTIES TRUST, INC., a Maryland corporation (the "Corporation"), desires to amend and restate its Articles of Incorporation for a second time (the "Charter") as currently in effect and as hereinafter amended. Capitalized terms not defined when first used in this Charter are defined in Article VI or Article XII.

SECOND: The following provisions are all the provisions of the Charter currently in effect and as hereinafter amended:

ARTICLE I
INCORPORATOR

Kerry Sturbin, whose address is 11 East Chase Street, Suite 9E, Baltimore, Maryland 21202, being at least 18 years of age, served as the incorporator of and formed this Corporation under and by virtue of the general laws of the State of Maryland.

ARTICLE II
NAME

The name of the corporation (the "Corporation") is Medical Properties Trust, Inc.

ARTICLE III
PURPOSES

The purposes for which the Corporation is formed are to engage in any lawful act or activity (including, without limitation or obligation, engaging in business as a real estate investment trust (a "REIT") under Section 856 through 860 of the Internal Revenue Code of 1986, as amended or any successor statute (the "Code")) for which corporations may be organized under the Maryland General Corporation Law as now or hereafter in force, or any successor statute, (the "MGCL").

ARTICLE IV
PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

4.1 Principal Address. The address of the principal office of the Corporation within the State of Maryland, is 11 East Chase Street, Suite 9E, Baltimore, Maryland 21202. The Corporation may have such other offices and places of business within or outside the State of Maryland as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine.

4.2 Registered Agent. The name of the resident agent of the Corporation within the State of Maryland is National Registered Agents, Inc. of MD, a Maryland corporation, and the address of such agent is 11 East Chase Street, Suite 9E, Baltimore, Maryland 21202.

ARTICLE V
STOCK

5.1 Authorized Shares. The Corporation is authorized to issue an aggregate of 110,000,000 shares of stock (the "Capital Stock"), consisting of (a) 100,000,000 shares of common stock, \$0.001 par value per share (the "Common Stock") and (b) 10,000,000 shares of preferred stock, \$0.001 par value per share (the "Preferred Stock"). The aggregate par value of all of the shares of all of the classes of stock of the Corporation is \$110,000.

5.2 Common Stock. Subject to the rights of the holders of the Preferred Stock, if any, and any other class of stock hereinafter created by the Corporation:

- (a) the holders of the Common Stock shall have the exclusive right to vote for the election of directors and on all other matters requiring stockholder action, each share being entitled to one vote;
- (b) distributions may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of distributions, but only when, as, and if authorized by the Board of Directors; and
- (c) upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for the distribution to stockholders shall be distributed pro rata to the holders of the Common Stock.

5.3 Preferred Stock. Prior to issuance of any shares of Preferred Stock, the Board of Directors by resolution shall, without action by the stockholders:

- (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; and
- (b) specify the number of shares to be included in the class or series;
- (c) establish, subject to the provisions of Article VI and subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions (including, without limitation, restrictions on transferability), limitations as to distributions, qualifications and terms and conditions of redemption for each class or series; and
- (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland containing a description of the stock as set or changed by the Board of Directors.

5.4 Stock Issuance. Except as otherwise specifically provided herein, the Board of Directors may, without action by the stockholders:

- (a) authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend);

(b) classify or reclassify any unissued shares of the Common Stock or the Preferred Stock by setting or changing in any one or more respects, from time to time before issuance of such shares, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such shares.

5.5 Change in Authorized Shares. To the extent permitted under the MGCL, the Board of Directors may, without action by the stockholders, amend the Charter to increase or decrease the aggregate number of shares of Capital Stock or the number of shares of Capital Stock of any class of Capital Stock that the Corporation has authority to issue.

5.6 Fractional Shares. The Corporation may, without the consent or approval of any stockholder, issue fractional shares of any class of Capital Stock.

5.7 Charter and Bylaws. All persons who shall acquire Capital Stock of the Corporation shall acquire the same subject to the provisions of the Charter and the Bylaws, as the Charter and the Bylaws may be amended from time-to-time.

ARTICLE VI
RESTRICTION ON TRANSFER AND OWNERSHIP OF
SHARES OF CAPITAL STOCK

6.1 Definitions. For the purpose of this Article VI, the following terms shall have the following meanings:

(a) The term "Beneficial Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include (in addition to direct ownership and indirect ownership through a nominee or similar arrangement) interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

(b) The term "Benefit Plan Investor" shall have the meaning provided in 29 C.F.R. Section 2510.3-101(f)(2), or any successor regulation thereto.

(c) The term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

(d) The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 6.3.7 of this Article VI, provided that each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) (other than clause (vii) or (viii) thereof) and 170(c)(2) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

(e) The term "Charitable Trust" shall mean any trust provided for in Section 6.2.1(b)(i) and Section 6.3.1 of this Article VI.

(f) The term "Charitable Trustee" shall mean the Person, unaffiliated with the Corporation and a Prohibited Owner, that is appointed by the Corporation from time to time to serve as trustee of the Charitable Trust.

(g) The "Closing Price" on any date shall mean the last sale price on such date for such shares of Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such shares of Capital Stock, in either case as reported on the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such shares of Capital Stock are not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such shares of Capital Stock are listed or admitted to trading or, if such shares of Capital Stock are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices, in the over-the-counter market, as reported by the Nasdaq Stock Market or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such shares of Capital Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such shares of Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such shares of Capital Stock, the fair market value of such shares, as determined in good faith by the Board of Directors; provided, if the date for which such determination is to be made is a day that the NYSE is not open for trading, such determination shall be made for the most recent day for which the NYSE was open for trading.

(h) The term "Constructive Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include any interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

(i) The term "ERISA Investor" shall mean any holder of shares of Capital Stock that is (i) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a plan as defined in Section 4975(e) of the Code (any such employee benefit plan or "plan" described in clause (i) or this clause (ii) being referred to herein as a "Plan"), (iii) a trust which was established pursuant to a Plan, or a nominee for such trust or Plan, or (iv) an entity whose underlying assets include assets of a Plan by reason of such Plan's investment in such entity.

(j) The term "Excepted Holder" shall mean a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors pursuant to Section 6.2.7.

(k) The term "Excepted Holder Limit" shall mean, provided that (and only so long as) the affected Excepted Holder complies with all of the requirements established by the Board of Directors pursuant to Section 6.2.7, and subject to adjustment pursuant to Section 6.2.8, the percentage limit established by the Board of Directors pursuant to Section 6.2.7.

(l) The term "Initial Date" shall mean the first day of the tax year in which the Corporation elects to be taxed as a REIT.

(m) The term "Market Price" on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such shares of Capital Stock on such date.

(n) The term "NYSE" shall mean the New York Stock Exchange, Inc.

(o) The term "Ownership Limit" shall mean (i) with respect to shares of Common Stock, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Stock of the Corporation; and (ii) with respect to any class or series of shares of Preferred Stock or other stock, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of Preferred Stock or other stock of the Corporation.

(p) The term "Person" shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company, limited liability company, or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

(q) The term "Prohibited Owner" shall mean any Person who, but for the provisions of this Article V, would Beneficially Own or Constructively Own shares of Capital Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of shares of Capital Stock that the Prohibited Owner would have so owned.

(r) The term "Publicly Offered Securities" shall have the meaning provided in 29 C.F.R Section 2510.3-101(b)(2), or any successor regulation thereto.

(s) The term "Restriction Termination Date" shall mean the first day after the Initial Date on which the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

(t) The term "Transfer" shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event (or any agreement to take any such actions or cause any such events) that causes any Person to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock or the right to vote or receive dividends on shares of Capital Stock, including without limitation, (i) a change in the capital structure of the Corporation, (ii) a change in the relationship between two or more Persons which causes a change in ownership of shares of Capital Stock by application of either Section 544 of the Code, as modified by Section 856(h) of the Code or Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code, (iii) the grant or exercise of any option or warrant (or any disposition of any option or warrant, or any event that causes any option or warrant not theretofore exercisable to become exercisable), pledge, security interest or similar right to acquire shares of Capital Stock, (iv) any disposition of any securities or rights convertible into or exchangeable for shares of Capital Stock or any interest in shares of Capital Stock or any exercise of any such conversion or exchange right, and (v) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of shares of Capital Stock. For purposes of this Article VI, the right of a limited partner in Medical Properties Trust Limited Partnership (or any successor thereto), to require the partnership to redeem such limited partner's units of limited partnership interest pursuant to Section 8.04 of the First Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P. shall not be considered to be an option or similar right

to acquire shares of Capital Stock of the Corporation so long as such Section 8.04 is not amended in a manner that would grant to a limited partner a legal right to require that either MPT Operating Partnership, L.P. (or any successor thereto) or the Corporation issue to such limited partner shares of Capital Stock and so long as the restrictions in Section 8.04 of such Agreement apply to the exercise of the rights set forth in such Section 8.04. The terms "Transferring" and "Transferred" shall have the correlative meanings.

6.2 Restrictions on Ownership and Transferring Shares.

6.2.1. During the period commencing on the Initial Date and ending at the close of business on the Restriction Termination Date:

(a) Basic Restrictions. (i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Ownership Limit, and (2) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that (1) such Beneficial Ownership of shares of Capital Stock would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or (2) such Constructive Ownership would cause either the Corporation to be considered to constructively own after application of the constructive ownership rules of Section 856(d)(5) of the Code an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 856(c) of the Code or MPT Operating Partnership, L.P. (or any successor thereto) to be considered to constructively own after application of the constructive ownership rules of Section 856(d)(5) of the Code, as modified by the rules of Section 7704(d) of the Code, an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 7704(d) of the Code.

(iii) No Person shall Transfer any shares of Capital Stock if, as a result of the Transfer, the outstanding shares of all classes and series of Capital Stock would be Beneficially Owned by less than 100 Persons (determined without reference to the rules of attribution under Section 544 of the Code). Subject to Section 6.5 of this Article VI and notwithstanding any other provisions contained herein, any Transfer of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) that, if effective, would result in outstanding shares of all classes and series of Capital Stock being Beneficially Owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(b) If any Transfer of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 6.2.1(a)(i) or 6.2.1(a)(ii) of this Article VI, as applicable,

(i) then that number of shares of Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 6.2.1(a)(i) or 6.2.1(a)(ii)

(rounded upward to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 6.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such shares of Capital Stock; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 6.2.1(a)(i) or 6.2.1(a)(ii), as applicable, then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 6.2.1(a)(i) or 6.2.1(a)(ii), as applicable, shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

6.2.2. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 6.2.1 of this Article VI or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 6.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares of Capital Stock, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of Section 6.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable under Section 6.2.1(b)(ii), such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

6.2.3. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 6.2.1(a), or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 6.2.1(b), shall immediately give written notice to the Corporation of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such acquisition or ownership on the Corporation's status as a REIT.

6.2.4 During the period commencing on the Initial Date and ending at the close of business on the Restriction Termination Date:

(a) Every stockholder of record of more than 5% (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock, within 30 days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares Beneficially Owned, and a description of the manner in which such shares of Capital Stock are held; provided that a stockholder of record who holds outstanding shares of Capital Stock as nominee for another Person, which other Person is required to include in gross income the dividends received on such shares (an "Actual Owner"), shall give written notice to the Corporation stating the name and address of such Actual Owner and the number of shares of Capital Stock of such Actual Owner with respect to which the stockholder of record is nominee. Each such stockholder of record and each Actual Owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the

effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

(b) Each Person who is a Beneficial Owner or Constructive Owner of shares of Capital Stock and each Person (including the stockholder of record) who is holding shares of Capital Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

6.2.5. Subject to Section 6.5 of this Article VI, nothing contained in this Section 6.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

6.2.6. In the case of an ambiguity in the application of any of the provisions of this Section 6.2, Section 6.3 or any definition contained in Section 6.1 or Article XII, the Board of Directors shall have the power to determine the application of the provisions of this Section 6.2 or Section 6.3 with respect to any situation based upon the facts known to it. If Section 6.2 or 6.3 requires an action by the Board of Directors and the Charter of the Corporation fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 6.1, 6.2 or 6.3.

6.2.7.

(a) The Board of Directors, in its sole and absolute discretion, may grant to any Person who makes a request therefor an exception from one or more of the restrictions set forth in Section 6.2.1(a) with respect to the ownership of any series or class of Capital Stock of the Corporation, and may establish or increase the Excepted Holder Limit for such Person subject to the following conditions and limitations: (A) the Board of Directors shall have determined that (x) assuming such Person would Beneficially Own or Constructively Own the maximum amount of shares of Common Stock and stock of the Corporation (other than Common Stock) permitted as a result of the exception to be granted and (y) assuming that all other Persons who would be treated as "individuals" for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would Beneficially Own or Constructively Own the maximum amount of shares of Common Stock and stock of the Corporation (other than Common Stock) permitted under this Article VI (taking into account any exception, waiver or exemption granted under this Section 6.2.7 to (or with respect to) such Persons), the Corporation would not fail to qualify as a REIT; and (B) such Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its sole and absolute discretion, determine to be necessary in order for it to make the determination that the conditions set forth in clause (A) above of this Section 6.2.7(a) have been and/or will continue to be satisfied (including, without limitation, an agreement as to a reduced Ownership Limit or Excepted Holder Limit for such Person with respect to the Beneficial Ownership or Constructive Ownership of one or more other classes or series of shares of Capital Stock not subject to the exception), and such Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 6.2 of this Article VI with respect to shares of Capital Stock held in excess of the Ownership Limit or the Excepted Holder Limit (as may be applicable) with respect to such Person (determined without regard to the exception granted

such Person under this paragraph (a)). If a member of the Board of Directors requests that the Board of Directors grant an exception pursuant to this paragraph (a) with respect to such member, or with respect to any other Person if such member would be considered to be the Beneficial Owner or Constructive Owner of shares of Capital Stock owned by such other Person, such member of the Board of Directors shall not participate in the decision of the Board of Directors as to whether to grant any such exception.

(b) In addition to exceptions permitted under paragraph (a) above, the Board of Directors, in its sole and absolute discretion, may grant to any Person who makes a request therefor (a "Requesting Person") an exception from the Ownership Limit (or one or more elements thereof) if:

(i) such Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that such Requesting Person is not an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code);

(ii) such Requesting Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that no Person who is an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would be considered to Beneficially Own shares of Capital Stock in excess of the Ownership Limit by reason of the Requesting Person's ownership of shares of Capital Stock in excess of the Ownership Limit pursuant to the exception granted under this subparagraph (b);

(iii) such Requesting Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that clause (2) of paragraph (a)(ii) of Section 6.2.1 will not be violated by reason of the Requesting Person's ownership of shares of Capital Stock in excess of the Ownership Limit pursuant to the exception granted under this paragraph (b); and

(iv) such Requesting Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its sole and absolute discretion, require to ensure that the conditions in clauses (i), (ii) and (iii) hereof are satisfied and will continue to be satisfied throughout the period during which such Requesting Person owns shares of Capital Stock in excess of the Ownership Limit pursuant to any exception thereto granted under this subparagraph (b), and such Requesting Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 6.2 with respect to shares of Capital Stock held in excess of the Ownership Limit with respect to such Requesting Person (determined without regard to the exception granted such Requesting Person under this paragraph (b)).

(c) Prior to granting any exception or exemption pursuant to paragraph (a) or (b), the Board of Directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors, in its sole and absolute discretion as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT; provided, however, that the Board of Directors shall not be obligated to require obtaining a favorable ruling or opinion in order to grant an exception hereunder.

(d) Subject to Section 6.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of shares of Capital Stock (or securities convertible into or exchangeable for shares

of Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for shares of Capital Stock) in excess of the Ownership Limit, but only to the extent necessary to facilitate such public offering or private placement; and provided that the restrictions contained in Section 6.2.1(a) will not be violated following the distribution by such underwriter of such shares of Capital Stock.

(e) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Ownership Limit.

6.2.8 The Board of Directors may from time to time increase or decrease the Ownership Limit, subject to the limitations provided in this Section 6.2.8.

(a) Any decrease may be made only prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law, in which case such change shall be effective immediately); and further, any decrease may be made only to ensure the Corporation's status as a REIT.

(b) The Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542 of the Code, as modified by Section 856(h)(3) of the Code (taking into account all of the Excepted Holders), could beneficially Own, in the aggregate, more than 49% of the value of the outstanding shares of Capital Stock.

(c) Prior to the modification of the Ownership Limit pursuant to this Section 6.2.8, the Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT if the modification in the Ownership Limit were to be made.

6.2.9. Each certificate for shares of Capital Stock (or securities exercisable for or convertible into shares of Capital Stock) shall bear substantially the following legend:

The shares of Capital Stock represented by this certificate are subject to restrictions on Beneficial Ownership and Constructive Ownership and Transfer primarily for the purpose of the Corporation's maintenance of its status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Except as expressly provided in the Charter, (i) no Person may Beneficially Own or Constructively Own shares of Common Stock of the Corporation in excess of 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) with respect to any class or series of shares of Capital Stock other than Common Stock, no Person may Beneficially Own or Constructively Own more than 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of such stock of the Corporation (collectively, (i) and (ii) are referred to herein as the "Ownership Limit"), unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own

shares of Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code, or would cause either the Corporation to be considered to constructively own after application of the constructive ownership rules of Section 856(d)(5) of the Code an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 856(c) of the Code or MPT Operating Partnership, L.P. (or any successor thereto) to be considered to Constructively Own after application of the constructive ownership rules of Section 856(d)(5) of the Code, as modified by the rules of Section 7704(d) of the Code, an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 7704(d) of the Code; (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in shares of Capital Stock of the Corporation being owned by fewer than 100 Persons; and (v) no Person may Transfer any class or series of shares of Capital Stock if such Transfer would result in any of the Benefit Plan Investors, on any date, holding, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock. An "Excepted Holder" means a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock which cause or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. The term "Benefit Plan Investor" has the meaning provided in 29 C.F.R. Section 2510.3-101(f)(2), or any successor regulation thereto. If any of the restrictions on Transfer are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Charitable Trustee of a Charitable Trust for the benefit (except as otherwise provided in the Charter of the Corporation) of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. A Person who (i) attempts to Beneficially Own or Constructively Own shares of Capital Stock in violation of the Transfer restrictions described above or, (ii) if such Person is a Benefit Plan Investor, attempts to hold, individually or in the aggregate, 25 percent or more of the value of any class or series of shares of Capital Stock in violation of the Transfer restrictions described above, shall have no claim, cause of action or any recourse whatsoever against a transferor of such shares of Capital Stock. All capitalized terms in this legend have the meanings defined in the Corporation's Charter, as the same may be amended from time to time, a copy of which, including the restrictions on Transfer, will be furnished to each holder of shares of Capital Stock of the Corporation on request and without charge.

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

6.3. Transfer of Shares of Capital Stock.

6.3.1. Upon any purported Transfer or other event described in Section 6.2.1(b) that would result in a transfer of shares of Capital Stock to a Charitable Trust, such shares of Capital Stock shall be deemed to have been transferred to the Charitable Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries (except to the extent otherwise provided in Section 6.3.5). Such transfer to the Charitable Trustee shall be deemed to be effective as of the close of

business on the Business Day prior to any purported Transfer or other event that otherwise results in the transfer to the Charitable Trust pursuant to Section 6.2.1(b). The Charitable Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 6.3.7.

6.3.2. Shares of Capital Stock held by the Charitable Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares of Capital Stock held by the Charitable Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares of Capital Stock held in trust by the Charitable Trustee (except to the extent otherwise provided in Section 6.3.5), shall have no rights to dividends or other distributions, and shall not possess any rights to vote or other rights attributable to the shares of Capital Stock held in the Charitable Trust. The Prohibited Owner shall have no claim, cause of action or other recourse whatsoever against the purported transferor of such shares of Capital Stock.

6.3.3. The Charitable Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary (except to the extent otherwise provided in Section 6.3.5). Any dividend or other distribution paid prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee shall be paid with respect to such shares of Capital Stock to the Charitable Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Charitable Trustee. Any dividends or distributions so paid over to the Charitable Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of Capital Stock held in the Charitable Trust and, subject to Maryland law, effective as of the date that shares of Capital Stock have been transferred to the Charitable Trustee, the Charitable Trustee shall have the authority (at the Charitable Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee and (ii) to recast such vote in accordance with the desires of the Charitable Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible action, then the Charitable Trustee shall not have the power to rescind and recast such vote. Notwithstanding the provisions of this Article VI, until the Corporation has received notification that shares of Capital Stock have been transferred into a Charitable Trust, the Corporation shall be entitled to rely on its stock transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies, and otherwise conducting votes of stockholders.

6.3.4. Upon any voluntary or involuntary liquidation, dissolution or winding up of or any distribution of the assets of the Corporation, the Charitable Trustee shall be entitled to receive, ratably with each other holder of shares of Capital Stock of the class or series of shares of Capital Stock that is held in the Charitable Trust, that portion of the assets of the Corporation available for distribution to the holders of such class or series (determined based upon the ratio that the number of shares of such class or series of shares of Capital Stock held by the Charitable Trustee bears to the total number of shares of Capital Stock of such class or series of shares of Capital Stock then outstanding). The Charitable Trustee shall distribute any such assets received in respect of the shares of Capital Stock held in the Charitable Trust in any liquidation, dissolution or winding up or distribution of the assets of the Corporation, in accordance with Section 6.3.5.

6.3.5. (a) Within 20 days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Charitable Trust, the Charitable Trustee of the Charitable Trust shall sell the shares of Capital Stock held in the Charitable Trust (together with the right to receive dividends or other distributions with respect to such shares of Capital Stock as to any shares of Capital Stock transferred to the Charitable Trustee as a result of the operation of Section 6.2.1(b)) to a person, designated by the Charitable Trustee, whose ownership of the shares of Capital Stock will not violate the ownership limitations set forth in Section 6.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares of Capital Stock sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 6.3.5.

(b) A Prohibited Owner shall receive the lesser of (1) the net price paid by the Prohibited Owner for the shares of Capital Stock or, if the Prohibited Owner did not give value for the shares of Capital Stock in connection with the event causing the shares of Capital Stock to be held in the Charitable Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the shares of Capital Stock on the day of the event causing the shares of Capital Stock to be held in the Charitable Trust, and (2) the net sales proceeds per share received by the Charitable Trustee from the sale or other disposition of the shares of Capital Stock held in the Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee, such shares of Capital Stock are sold by a Prohibited Owner, then (i) such shares of Capital Stock shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares of Capital Stock that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 6.3.5, such excess shall be paid to the Charitable Trustee upon demand.

6.3.6 Shares of Capital Stock transferred to the Charitable Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise, gift or other such transaction, the Market Price of the shares of Capital Stock on the day of the event causing the shares of Capital Stock to be held in the Charitable Trust) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer until the Charitable Trustee has sold the shares of Capital Stock held in the Charitable Trust pursuant to Section 6.3.5. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares of Capital Stock sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

6.3.7 By written notice to the Charitable Trustee, the Corporation shall designate from time to time one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) shares of Capital Stock held in the Charitable Trust would not violate the restrictions set forth in Section 6.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) and 170(c)(2) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

6.4. Restrictions on Ownership and Transfer of Shares of Capital Stock by Benefit Plans.

6.4.1.

(a) Notwithstanding any other provisions herein, if and to the extent that any class or series of shares of Capital Stock do not constitute Publicly Offered Securities, then Benefit Plan Investors may not, on any date, hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock. For purposes of determining whether Benefit Plan Investors hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock, the value of shares of Capital Stock of such class held by any director or officer of the Corporation, or any other Person who has discretionary authority or control with respect to the assets of the Corporation, or any Person who provides investment advice for a fee to the Corporation in connection with its assets, or an "affiliate" of such person, as defined in 29 C.F.R. Section 2510.3-101(f)(3), or any successor regulation thereto, shall be disregarded.

(b) If and to the extent that any class or series of shares of Capital Stock do not constitute Publicly Offered Securities, then no Person shall Transfer any shares of such Capital Stock if, as a result of the Transfer, the Benefit Plan Investors, on any date, hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock in violation of 6.4.1(a).

6.4.2.

(a) If any Transfers of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any of the Benefit Plan Investors, on any date, holding, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock in violation of 6.4.1 or would otherwise result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor:

(i) then that number of shares of Capital Stock the holding of which otherwise would cause any Person to violate Section 6.4.1 (rounded upward to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 6.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such shares of Capital Stock; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 6.4.1, then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 6.4.1 shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(b) If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that (i) a Transfer or other event has taken place that results in a violation of Section 6.4.1 or will otherwise result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor or (ii) that a Person intends to acquire or has attempted to acquire or hold shares of Capital Stock in a manner that will result in a violation of Section 6.4.1 or will otherwise result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor, the Board of Directors or a committee thereof shall take such action as it deems advisable to mitigate, prevent or cure the consequences that might result to the Corporation from such Transfer or other event, including without limitation, refusing to give effect to or preventing such Transfer or event through redemption of such shares of Capital Stock or refusal to give effect to the Transfer or event on

the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of Section 6.4.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable under Section 6.4.2(a)(ii), such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

6.4.3. Any Person who acquires or attempts or intends to acquire or hold shares of Capital Stock that may violate Section 6.4.1, or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 6.4.2, shall provide to the Corporation such information as the Corporation may request in order to determine whether such acquisition or holding has resulted or will result in a violation of Section 6.4.1 or otherwise has resulted or will result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor, including the name and address of any Person for whom a nominee holds shares of Capital Stock and whether the underlying assets of such Person include assets of any Benefit Plan Investor.

6.4.4 The Board of Directors, in its sole and absolute discretion, may exempt an ERISA Investor from the restrictions set forth in Section 6.4.1, provided that the Board of Directors obtains such representations and undertakings from such ERISA Investor as are reasonably necessary to ascertain that, as a result of such exemption, the underlying assets and property of the Corporation will not become assets of any ERISA Investor under ERISA.

6.5. NYSE. Nothing in this Article VI shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction takes place shall not negate the effect of any other provision of this Article VI and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VI.

6.6 Enforcement. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VI.

6.7. Non-Waiver. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

6.8. Enforceability. If any of the restrictions on transfer of shares of Capital Stock contained in this Article VI is determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Prohibited Owner may be deemed, at the option of the Corporation, to have acted as an agent of the Corporation in acquiring such shares and to hold such shares on behalf of the Corporation.

6.9. Amendments. Notwithstanding any other provisions of the MGCL or the Charter to the contrary, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of this Article VI.

ARTICLE VII
DIRECTORS

7.1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

7.2. Election of Directors. Directors of the Corporation shall be elected by a plurality of the votes cast at any meeting of stockholders at which directors are to be elected and at which a quorum is present. Election of directors need not be by written ballot.

7.3. Number and Terms of Directors. The number of directors of the Corporation shall initially be fixed at 3, which number may be increased or decreased by the directors pursuant to the Bylaws, but shall never be less than 1. The directors shall be elected at the annual meeting of the stockholders and each director shall be elected to serve until the next annual meeting of stockholders and until his successor is duly elected and qualified or until his earlier resignation or removal. The names of the persons who will serve as directors of the Corporation until the next annual meeting of stockholders and until their successors are duly elected and qualified are Edward K. Aldag, Jr., William G. McKenzie and Emmett E. McLean.

7.4. Removal. A director may be removed from office, with or without cause, only by the affirmative vote of the holders of not less than two-thirds of the Capital Stock then outstanding and entitled to vote generally for the election of directors; provided, however, that, in the case of any director elected solely by holders of one or more classes of preferred stock, the director will be subject to removal in the manner set forth in the Charter provisions establishing the class or classes of preferred stock. For the purposes of this Section 7.4, "cause," with respect to the removal of any director, shall mean only (i) conviction of a felony, (ii) declaration of unsound mind by order of a court, (iii) gross negligence or gross dereliction of duty or (iv) commission or omission of an act that constitutes willful misconduct or a willful violation of law if such omission or action results in injury to the Corporation.

7.5. Determinations by Board. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the Charter and in the absence of actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a court, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sale of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation.

7.6. Rights of Objecting Stockholders. Holders of shares of Capital Stock of the Corporation shall not be entitled to exercise any rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law unless the Board of Directors of the Corporation, upon the

affirmative vote of a majority of the entire Board of Directors, shall determine that such rights shall apply, with respect to all or any classes or series of Capital Stock, to a particular transaction or all transactions occurring after the date of such determination in connection with which holders of such shares of Capital Stock of the Corporation would otherwise be entitled to exercise such rights.

ARTICLE VIII
LIMITATION OF LIABILITY

8.1. Limitation of Director Liability. To the maximum extent permitted by Maryland law in effect from time to time, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article VIII, nor the adoption or amendment of any other provision of the Charter or the Bylaws inconsistent with this Article VIII, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE IX
INDEMNIFICATION

The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as director, officer, partner or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his status as a present or former director or officer of the Corporation. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above or to any employee or agent of the Corporation or a predecessor of the Corporation.

ARTICLE X
APPLICABILITY OF CERTAIN STATUTES

10.1. Business Combination Statute. Notwithstanding any other provision of the Charter or any contrary provision of law, the Maryland Business Combination Statute, found in Title 3, subtitle 6 of the MGCL, as amended from time to time, or any successor statute thereto, shall not apply to any "business combination" (as defined in Section 3-601(e) of the MGCL, as amended from time to time, or any successor statute thereto) of the Corporation and any Person.

10.2. Control Share Acquisition Statute. Notwithstanding any other provision of the Charter or any contrary provision of law, the Maryland Control Share Acquisition Statute, found in Title 3, subtitle 7 of the MGCL, as amended from time to time, or any successor statute thereto shall not apply to any acquisition of securities of the Corporation by any Person.

10.3. Unsolicited Takeover Statute. Notwithstanding any other provision of the Charter or any contrary provision of law, Title 3, subtitle 8 of the MGCL, as amended from time to time, or any successor statute thereto, shall not apply to the Corporation.

ARTICLE XI
AMENDMENT OF CHARTER

11.1. Amendment. The Corporation reserves the right from time to time to make any amendment of the Charter, now or hereafter authorized by law, including any amendment which alters the contract rights, as expressly set forth in the Charter, of any of its outstanding stock, and all rights conferred by the Charter on stockholders, directors and officers are granted subject to this reservation.

ARTICLE XII
DEFINITIONS

Except as otherwise defined in Article VI, for purposes of the Charter, the following terms shall have the following meanings:

(a) "Affiliate" and "Associate" shall have the respective meanings set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, or any subsequent provisions replacing such Act, rules and regulations.

(b) "Business Day" shall mean each day, other than a Saturday or Sunday, which is not a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

(c) "Group Acting in Concert" shall mean Persons seeking to combine or pool their voting or other interests in the securities of the Corporation for a common purpose, pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written, oral or otherwise, or any group of Persons as described under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (or any subsequent provisions replacing such Act or the rules and regulations promulgated thereunder). When Persons act together for any such purpose, their group is deemed to have acquired their stock as a "Group Acting in Concert".

(d) "Person" shall mean an individual or Group Acting in Concert, a corporation, a partnership, an association, a joint stock company, a trust, a business trust, a government or political subdivision, any unincorporated organization, or any other association or entity.

THIRD: The foregoing Second Articles of Amendment and Restatement, and the amendments set forth therein, were declared to be advisable by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is set forth in Article IV.

FIFTH: The name and address of the Corporation's current resident agent are as set forth in Article IV.

SIXTH: The number of directors and the names of those currently in office are as set forth in Article VII.

SEVENTH: There has been no change in the total number of shares of Capital Stock which the Corporation had authority to issue or in the aggregate par value of such shares.

EIGHTH: The undersigned President acknowledges these Second Articles of Amendment and Restatement to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under penalties of perjury.

{Signatures to appear on the following page.}

IN WITNESS WHEREOF, the Corporation has caused these Second Articles of Amendment and Restatement to be signed in its name and on its behalf by its President and, pursuant to a resolution of the Board of Directors authorizing such attestation, attested to by its Treasurer on this ____ day of _____, 2004.

MEDICAL PROPERTIES TRUST, INC.

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

Edward K. Aldag, Jr.
Its President

ATTEST:

By: /s/ Emmett E. McLean

Emmett E. McLean
Its Treasurer

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

Section 1.01 Annual Meeting. The annual meeting of the stockholders of Medical Properties Trust, Inc. (the "Corporation") shall be held at the principal office of the Corporation in the State of Maryland or at any other place within or without the State of Maryland as may be designated by the Board of Directors. The annual meeting shall be held at such time and on such date in May of each year as is determined by the Board of Directors; provided, however, that the 2004 annual meeting shall be held at such time and on such date in April of 2004 as is determined by the Board of Directors. The business to be transacted at the meeting shall be the election of directors and such other business as is properly brought before the meeting. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II DIRECTORS

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

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

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

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

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

- (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director:
 - (i) the name, age, business address and residence address of such person;
 - (ii) the principal occupation or employment of such person;
 - (iii) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such stockholder notice;
 - (iv) the consent of each nominee to serve as a director of the Corporation if so elected; and
 - (v) any other information relating to such person that would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and
- (b) as to the stockholder giving the notice:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III OFFICERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV STOCK

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

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

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

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

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

If no record date is fixed:

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

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

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

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

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

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

ARTICLE V INDEMNIFICATION

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

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

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

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

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

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

ARTICLE VI MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

[Signature to appear on the following page.]

IN WITNESS WHEREOF, the Corporation has caused these Amended and Restated Bylaws to be signed in its name and on its behalf by its Executive Vice President on this 9th day of March, 2004.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ Emmett E. McLean

Emmett E. McLean
Its Executive Vice President

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), dated as of September 10, 2003 (the "Effective Date"), among Medical Properties Trust, Inc. (the "REIT"), MPT Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), (the REIT and the Operating Partnership being herein referred to collectively as the "Company"), and Edward K. Aldag, Jr. (the "Executive"):

WHEREAS, the REIT is a limited partner and, through its wholly-owned limited liability company, Medical Properties Trust, LLC, (the LLC"), is the sole general partner of the Operating Partnership;

WHEREAS, the Executive has experience in owning and operating companies which own and lease commercial real estate, including healthcare properties;

WHEREAS, the Executive provided services to the LLC pursuant to that certain Employment Agreement dated December 6, 2002 (the "Original Agreement") which Original Agreement has been terminated and certain limited obligations thereunder have been assumed by the Operating Partnership; and

WHEREAS, the Company desires to employ the Executive and the Executive desires to accept such employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the Company and the Executive, in consideration of the respective covenants set out below, hereby agree as follows:

1. EMPLOYMENT.

(a) POSITIONS. The Executive shall be employed by the Operating Partnership as its President, Chief Executive Officer and Secretary. The Executive shall also serve as the President, Chief Executive Officer and Secretary of the REIT as well as the Executive Chairman of the REIT's Board of Directors (the "Board").

(b) DUTIES. The Executive's principal employment duties and responsibilities shall be those duties and responsibilities customary for the positions of Executive Chairman of the Board, President, Chief Executive Officer, Secretary and such other executive duties and responsibilities as the Board shall from time to time reasonably assign to the Executive. The Executive shall be responsible for and have authority over the day-to-day operational management of the Company. The Executive shall report directly to the Board. All other officers of the Company shall report to the Executive or such person(s) as the Executive may designate from time to time.

(c) EXTENT OF SERVICES. Except for illnesses and vacation periods, the Executive shall devote substantially all of his business time and attention and his good faith reasonable efforts to the performance of his duties and responsibilities under this Agreement. Notwithstanding the foregoing, the Executive (i) shall be permitted to

continue to manage, operate and devote time and attention to those companies and businesses he owned, operated or controlled at the date of this Agreement that were not transferred to or purchased by the Company or the REIT (collectively referred to herein as the "Excluded Businesses"), provided that such activities do not materially detract from Executive's performance of his duties hereunder, (ii) may make any passive investment where he is not obligated or required to, and shall not in fact, devote any material managerial efforts, (iii) may participate in charitable, academic or community activities, and in trade or professional organizations, and (iv) may hold directorships in other companies consistent with the Company's conflict of interest policies and corporate governance guidelines as in effect from time to time.

2. TERM. This Agreement shall be effective as of the Effective Date and shall continue in full force and effect thereafter for a term of three (3) years following the Effective Date, and shall be automatically extended for an additional one (1) year period on each one (1) year anniversary of the Effective Date, including an anniversary that occurs within the initial three (3) year term (the last day of each such one (1) year period ending on an anniversary of the Effective Date is referred to herein as a "Term Date"), unless either party gives notice of non-renewal not later than sixty (60) days prior to a Term Date by providing written notice to the other party of such party's intent not to renew (in which case the Agreement shall not be so automatically extended for such additional one (1) year period and shall terminate at the conclusion of the remaining unextended Term), or it is sooner terminated pursuant to Section 7. For purposes of this Agreement, "Term" shall mean the actual duration of the Executive's employment hereunder, taking into account any extensions pursuant to this Section 2 or early termination of employment pursuant to Section 7, but for purposes of compensation and benefits payable pursuant to Sections 3 through 6 hereof the Term shall be deemed to commence as of August 1, 2003.

3. BASE SALARY. The Company shall pay the Executive a Base Salary that shall be payable in periodic installments according to the Company's normal payroll practices, but no less frequently than monthly. The initial Base Salary shall be \$350,000 per year. The Board or its compensation committee (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether and to what extent the Base Salary should be increased, effective January 1 of any year during the Term; provided, however, that on January 1, 2005, the Base Salary shall be not less than \$367,500 and on each January 1 thereafter during the Term, the Base Salary shall be increased at a minimum by a positive amount equal to the Base Salary in effect on January 1 of the prior year multiplied by the percentage increase in the Consumer Price Index for such year. The amount of the increase shall be determined before March 31 of each year and shall be retroactive to January 1 of such year. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3.

4. INCENTIVE AWARDS: ANNUAL INCENTIVE BONUS. The Executive shall be entitled to receive an annual cash incentive bonus for each fiscal year during the

Term of this Agreement consistent with such bonus policy as may be adopted by the Board of Directors or its Compensation Committee ("Bonus Policy") in an amount of not less than 40% of the Executive's Base Salary (the "Minimum Bonus") or more than 100% of the Executive's Base Salary unless in the opinion of the Compensation Committee, the Executive deserves a higher amount (the "Maximum Bonus"). If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Policy for a fiscal year, he shall receive an annual incentive bonus (the "Incentive Bonus"), consistent with the provisions relating to Minimum Bonus and the Maximum Bonus in an amount determined by the Compensation Committee and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Policy for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to Executive for that year other than the Minimum Bonus, subject to ratification by the Board, if required. Beginning January 1, 2004, the Bonus Policy shall contain both individual and group goals.

5. STOCK BASED AWARDS. The REIT has established the 2004 Equity Incentive Plan ("Equity Incentive Plan") which provides for the grants of options to acquire shares of the Company's \$.001 par value common stock (the "Common Shares"), awards of restricted Common Shares and awards of stock appreciation rights and performance units. Effective upon the consummation of the private placement offering or initial public offering, whichever occurs first, the Company has reserved for issuance to the Company's executive officers and other employees two and six-tenths percent (2.6%) of the outstanding Common Shares on a fully-diluted basis for awards of restricted Common Shares ("Restricted Share Grants"). The Executive shall be eligible to receive Restricted Share Grants as approved by the Compensation Committee, and if the Compensation Committee approves Restricted Share Grants to executives of the Company, then, as appropriate in the context, the Executive will receive Restricted Share Grants consistent with, and appropriate in respect of, his position as Chief Executive Officer. Restricted Share Grants awarded to the Executive shall be subject to vesting at the rate of 8.33% of the underlying Common Shares on the last day of each fiscal quarter thereafter until fully vested; provided, however, that the Executive will be 100% vested and all restrictions will lapse upon (i) a Change of Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), (iii) a termination by the Executive for Good Reason (as defined herein), (iv) his death, or (v) his becoming Permanently Disabled (as defined herein). The Executive will forfeit all unvested Restricted Share Grants if he is terminated for Cause or he terminates for other than Good Reason. The Common Shares issued as Restricted Share Grants will have voting and dividend rights, and, following the restriction period, shall be registered and fully transferable by the Executive.

6. BENEFITS.

(a) VACATION. The Executive shall be entitled to six (6) weeks of vacation per full calendar year. Any unused vacation time shall accrue through the end of the first quarter of the following year.

(b) SICK AND PERSONAL DAYS. The Executive shall be entitled to sick and personal days on an as needed basis.

(c) EMPLOYEE BENEFITS.

(i) PARTICIPATION IN EMPLOYEE BENEFIT PLANS. The Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate, at the Company's expense, in any Company sponsored employee benefit plans, including but not limited to benefits such as group health, dental, accident, disability insurance and group life insurance as such benefits may be offered from time to time, on a basis no less favorable than that applicable to any other executive of the Company. In addition, Executive shall be entitled to participate, on the same basis as other Executives of the Company, in any 401(k) or other retirement plan sponsored by the Company.

(ii) DISABILITY INSURANCE. The Company shall maintain, at its cost, supplemental renewable long-term disability insurance with such terms as agreed to by the Company and the Executive.

(d) OTHER BENEFITS.

(i) ANNUAL PHYSICAL. The Company shall provide, at its costs, a medical examination for the Executive on an annual basis by a licensed physician selected by the Executive.

(ii) CAR ALLOWANCE. In lieu of mileage reimbursement and repairs and maintenance expense, the Company shall pay Executive a monthly car allowance of \$1,000.

(iii) TAX PREPARATION AND FINANCIAL PLANNING. The Company shall pay or promptly reimburse the Executive for costs incurred by him in connection with tax preparation and financial planning assistance, to be furnished by such advisors, including, but not limited to, auditors and attorneys, as chosen by the Executive, up to a maximum aggregate of \$25,000 annually. The amount shall be paid by the Company promptly upon presentation by the Executive of copies of any bills due to such tax and financial planning advisors. The amount paid by the Company shall be imputed as income to the Executive, and the Company will pay to the Executive such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income and the payment of such additional amount.

(iv) DIRECTORS AND OFFICERS INSURANCE. During the Term and during the five (5) year period following the effective date of his termination of employment, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less

favorable to him than the coverage provided to any other then current officers and directors.

(v) LIFE INSURANCE. The Company will pay the Executive an amount of up to \$20,000 per year for life insurance policies for his benefit and beneficiaries of his choosing. Such amount shall increase on January 1st of each year under the term hereof by multiplying by the percentage increase in the Consumer Price Index for such year. The amount shall be paid by the Company promptly upon presentation by the Executive of copies of the premium notices. The amount paid by the Company shall be imputed as income to the Executive, and the Company will pay to the Executive such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income and the payment of such additional amount (the "Executive Life Insurance Program").

(vi) EXPENSES, OFFICE AND SECRETARIAL SUPPORT. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis no less favorable than that applicable to any other executive of the Company, including, without limitation, telephone, travel and entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Executive shall also be entitled to appropriate office space, administrative support, and such other facilities and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

7. TERMINATION. The employment of the Executive by the Company pursuant to this Agreement shall terminate upon the occurrence of any of the following:

(a) DEATH OR PERMANENT DISABILITY. Immediately upon death or a determination of Permanent Disability of the Executive. As used in this Agreement, "Permanent Disability" shall mean an inability due to a physical or mental impairment to perform the material services contemplated under this Agreement for a period of six (6) months, whether or not consecutive, during any 365-day period. A determination of Permanent Disability shall be made by a physician satisfactory to both the Executive and the Company, provided that if the Executive and the Company do not agree on a physician, the Executive and the Company shall each select a physician and these two together shall select a third physician, whose determination as to Permanent Disability shall be binding on all parties. The appointment of one or more individuals to carry out the offices or duties of the Executive during a period of the Executive's inability to perform such duties and pending a determination of Permanent Disability shall not be considered a breach of this Agreement by the Company.

(b) FOR CAUSE. At the election of the Company and subject to the provisions of this Section 7(b), immediately upon written notice by the Company to the Executive of his termination for Cause. For purposes of this Agreement, "Cause" for termination shall be deemed to exist solely in the event of (i) the conviction of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, a

felony (exclusive of any felony relating to negligent operation of a motor vehicle and also exclusive of a conviction, plea of guilty or nolo contendere arising solely under a statutory provision imposing criminal liability upon the Executive on a per se basis due to the Company offices held by the Executive, so long as any act or omission of the Executive with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the Board), (ii) a willful breach of his duty of loyalty which is materially detrimental to the Company, (iii) a willful failure to materially perform or materially adhere to explicitly stated duties that are consistent with the terms of this Agreement, or the Company's reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, any business code of ethics adopted by the Board, or to follow the lawful directives of the Board (provided such directives are consistent with the terms of this Agreement), which, in any such case, continues for thirty (30) days after written notice from the Board to the Executive, or (iv) gross negligence or willful misconduct in the material performance of the Executive's duties. For purposes of this Section 7(b), no act, or failure to act, on the Executive's part will be deemed "gross negligence" or "willful misconduct" unless done, or omitted to be done, by the Executive not in good faith and without a reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

(c) WITHOUT CAUSE; WITHOUT GOOD REASON. At the election of the Company, without Cause, and at the election of the Executive, without Good Reason, in either case upon thirty (30) days prior written notice to the Executive or the Company, as the case may be.

(d) FOR GOOD REASON. At the election of the Executive, for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following actions or omissions, provided the Executive notifies the Company of his determination that Good Reason exists within sixty (60) days of the action or omission on which such determination is based:

(i) removal from the Board, except for "cause", as such term is defined in the Company's Charter, or the failure to be nominated or elected to the Board,

(ii) failure of this Agreement to be automatically renewed, on at least comparable terms, as a result of the Company giving notice pursuant to Section 2,

(iii) a material reduction of the Executive's duties, responsibilities or reporting requirements, or the assignment to the Executive of any duties, responsibilities, or reporting requirements that are inconsistent with his positions as President, Chief Executive Officer, Executive Chairman of the Board or Secretary, as the case may be,

(iv) the Company's failure to maintain a Bonus Policy consistent with Section 4 hereof or continue in effect the Equity Incentive Plan, unless comparable

alternative compensation arrangements (embodied in ongoing substitute or alternative plans) have been provided to the reasonable satisfaction of the Executive,

(v) a reduction or loss of employee benefits or material fringe benefits, both in terms of the amount of the benefit and the level of the Executive's participation therein, enjoyed by the Executive under the employee benefit and welfare plans of the Company, including, without limitation, such benefits as group health, dental, 401(k), accident, disability insurance, or group life insurance, that is caused by the Company except as is required by applicable law,

(vi) absent the Executive's prior written consent, the requirement by the Company that the principal place of business at which the Executive performs his duties be changed to a location that is outside of a 100 mile radius of Birmingham, Alabama, or

(vii) a breach by the Company of any provision of this Agreement that continues for a period of thirty (30) days after Executive provides written notice to the Company of such breach.

8. EFFECTS OF TERMINATION.

(a) TERMINATION ON PERMANENT DISABILITY; BY THE COMPANY WITHOUT CAUSE; BY THE EXECUTIVE FOR GOOD REASON. If the employment of the Executive should terminate by reason of his becoming Permanently Disabled, a termination by the Company for any reason other than Cause, or by the Executive for Good Reason, then the Company shall pay all compensation and benefits for the Executive as follows:

(i) any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of the effective date of the termination of his employment that are related to the period of his employment preceding the effective date of the termination of his employment, including pay in lieu of accrued, but unused, vacation,

(ii) the prorated amount of the Incentive Bonus for the year in which the termination of employment occurs, pro rated for the portion of such year during which the Executive was employed prior to the effective date of the termination of his employment, and

(iii) an amount equal to the sum of (A) the product of (1) the sum of (X) the Executive's Base Salary as of the effective date of termination of his employment, and (Y) the highest cash bonus received by the Executive pursuant to Section 4 hereof during the term hereof, multiplied by (2) three (3), plus (B) an amount equal to the federal, state and local taxes on the amount paid pursuant to clause (A).

The sum of the amount payable under subsections (ii) and (iii) hereof is referred to herein as his "Severance Payment".

(iv) The Severance Payment shall be made in a single, lump sum cash payment no later than thirty (30) days after the effective date of the termination of the Executive's employment. Such Severance Payment shall be reduced, in the case of a termination due to Permanent Disability, by the present value of the amount of disability proceeds to be received by Executive under the long term disability insurance policy carried by the Company.

(v) The Company shall allow the Executive and his spouse and dependants to continue to participate until the earlier of: (i) the Executive reaching the age of sixty-five (65); or (ii) until such time as the Executive obtains full-time employment with an entity not affiliated with the Executive that provides comparable benefits, in any and all of the employee benefit and welfare plans and programs of the Company, excluding any 401(k) plan, but specifically including the Company's health insurance plan, in which the Executive was entitled to participate immediately prior to his termination, to the same extent and upon the same terms as the Executive participated in such plans prior to his termination, provided that the Executive's continued participation is permissible or otherwise practicable under the general terms and provisions of such benefit plans and programs. The Company shall pay for the Executive's continued participation in director's and officers insurance. The cost of participation in all other such employee benefit and welfare plans (other than the 401(k) plan) shall be borne by the Company for five (5) years and then shall be at the Executive's expense. To the extent that continued participation is neither permissible nor practicable, the Company shall take such actions as may be necessary to provide the Executive, his spouse, and his dependants with substantially comparable benefits (without additional cost to the Executive, including any additional taxes) outside the scope of such plans including, without limitation, reimbursing the Executive for his costs in obtaining such coverage, such as COBRA premiums paid by the Executive and/or his eligible dependents for five (5) years. If the Executive engages in regular employment after his termination of employment (whether as an executive or as a self-employed person, but excluding his management or operation of the Excluded Businesses), any employee benefit and welfare benefits received by the Executive in consideration of such employment which are similar in nature to the employee benefit and welfare benefits provided by the Company will relieve the Company of its obligation under this Section 8(a)(v) to provide comparable benefits to the extent of the benefits so received.

(vi) The Executive's stock options awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and he shall have whatever remaining period under the options following the effective date of his termination of employment in which to exercise his vested stock options, including those stock options that vested upon his termination of employment.

(vii) The Executive's restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and all restrictions shall lapse.

(viii) The Executive Life Insurance Program shall be paid by the Company for five (5) years following the effective date of his termination.

(b) TERMINATION ON DEATH. Upon a termination of employment due to the Executive's death, the Executive shall become 100% vested in his stock options and restricted Common Shares awarded under the Equity Incentive Plan. The Executive's personal representative shall have whatever remaining period under the options following the Executive's death in which to exercise his vested stock options, including those stock options that vested on death. The Company shall pay to the Executive's personal representative any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his date of death and that are related to his period of employment preceding his date of death. Within sixty (60) days after the Executive's death, the Company shall pay to the Executive's personal representative the prorated amount of the Incentive Bonus for the year in which the Executive's death occurs, prorated for the portion of the year during which the Executive was employed prior to his death. The Executive's spouse and each of his dependants shall be covered under the Company's health insurance program until the earlier to occur of (i) such spouse or dependent reaching the age of sixty-five (65) or (ii) such spouse or dependant obtaining full-time employment with an entity not affiliated with the Executive that provides comparable benefits. The Company shall pay for such coverage for five (5) years following the death of the Executive after that, the Executive's spouse or dependants shall pay for such coverage.

(c) BY THE COMPANY FOR CAUSE OR BY THE EXECUTIVE WITHOUT GOOD REASON. In the event that the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason, the Company shall pay the Executive his Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his termination of employment date and that are related to his period of employment preceding his termination date. The Executive shall be entitled to exercise his vested stock options, determined as of his termination date, pursuant to the terms of the option grant. All unvested options and unvested restricted Common Shares shall be forfeited on his termination date. The Executive shall also be entitled to all benefits accrued and vested under any employee benefit plan of the Company. The Executive, the Executive's spouse and each of his dependants shall be allowed to be covered by the Company's health insurance plan, at the Executive's cost, until the Executive reaches the age of sixty-five (65) or until such time as the Executive, or such spouse or dependant, obtains full-time employment, whichever period is shorter.

(d) TERMINATION OF AUTHORITY. Immediately upon the Executive terminating or being terminated from his employment with the Company for any reason, notwithstanding anything else appearing in this Agreement or otherwise, the Executive

will stop serving the functions of his terminated or expired positions, and shall be without any of the authority or responsibility for such positions. On request of the Board at any time following his termination of employment for any reason, the Executive shall resign from the Board if then a member.

9. CHANGE OF CONTROL.

(a) CHANGE OF CONTROL. For purposes of this Agreement, a "Change of Control" will be deemed to have taken place upon the occurrence of any of the following events:

(i) any person, entity or affiliated group, excluding the REIT or any employee benefit plan of the REIT, acquiring more than 50% of the then outstanding voting shares of the REIT,

(ii) the consummation of any merger or consolidation of the REIT into another company, such that the holders of the voting shares of the REIT immediately prior to such merger or consolidation own less than 50% of the voting power of the securities of the surviving company or the parent of such surviving company, or

(iii) the complete liquidation of the REIT or the sale or disposition of all or substantially all of the REIT's assets, such that after the transaction, the holders of the voting shares of the REIT immediately prior to the transaction own less than 50% of the voting securities of the acquiror or the parent of the acquiror.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL. In the event of a Change of Control, the Executive shall become 100% vested in the stock options and restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) and, if the Executive voluntarily terminates his employment without Good Reason after the Change of Control, then the Executive shall have whatever remaining period under the options following the Change of Control in which to exercise his vested stock options, including those stock options that vested upon the Change of Control. In addition, if the Executive's employment with the Company is terminated by the Company for Cause or by the Executive without Good Reason in connection with a Change of Control, the Executive shall receive (in addition to the applicable benefits described in Section 8 hereof) a lump sum payment equal to the largest cash compensation from the Company for any twelve (12) month period during the Executive's tenure with the Company, multiplied by three (3).

(c) EXCISE TAX.

(i) In the event that any payment or benefit received or to be received by the Executive in connection with a termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (all such

payments and benefits being hereinafter called "Total Payments"), such that the Executive will be subject (in whole or in part) to the excise tax imposed under Code Section 4999 ("Excise Tax") on such payments and benefits, then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of the Excise Tax and any federal, state and local tax on the Gross-Up Payment, will be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on such date, net of the maximum deduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(ii) The Executive or the Company may request, prior to the time any payments under this Agreement are made, a determination of whether any or all of the Total Payments will be subject to the Excise Tax and, if so, the amount of such Excise Tax and the federal, state and local tax imposed on the Gross-Up Payment. If such a determination is requested, it shall be made promptly, at the Company's expense, by tax counsel selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), and such determination shall be conclusive and binding on both parties. The Company agrees to provide any information reasonably requested by such tax counsel. Tax counsel may engage accountants or other experts, at the Company's expense, to the extent deemed necessary or advisable for them to reach a determination. For these purposes, the term "tax counsel" shall mean a law firm with expertise in federal income tax matters.

(iii) In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive will repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment, without any interest thereon. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder, the Company will make an additional Gross-Up Payment in respect of such excess and in respect of any portion of the Excise Tax with respect to which the Company had not previously made a Gross-Up Payment (plus any interest, penalties or additions payable by the Executive with respect to such excess and such portion) at the time that the amount of such excess is finally determined, without any interest thereon.

(iv) Each party agrees to notify the other party, in writing, of any claim that, if successful, would require the payment by the Company of a Gross-Up Payment or might entitle the Company to a refund of all or part of any previous Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive or Company is informed in writing of such claim or otherwise becomes aware of such claim. If notice of the claim arose as a result of a claim made against the Executive by a taxing authority, Executive shall not pay such claim

prior to the expiration of the thirty (30) day period following the date on which he gives notice to the Company. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (A) give the Company any information reasonably requested by the Company relating to such claim, (B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), (C) cooperate with the Company in good faith in order to effectively contest such claim, and (D) permit the Company to reasonably participate in any proceedings relating to such claim. The Company shall bear and pay directly all costs and expenses (including legal fees and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(v) Notwithstanding the foregoing, the Company shall control all audits and proceedings taken in connection with any claim, audit or proceeding involving Excise Taxes or Gross-Up Payments and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of any such claim, audit or proceeding and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the tax in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such tax and sue for a refund, the Company shall advance the amount of such payment to the Executive, (including interest or penalties with respect thereto) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. The Company shall be required to consult with and keep the Executive fully apprised of developments and actions being considered or taken with respect to such claim, audit or proceeding. The Company's control of the contest shall be limited to issues with respect to which such a Gross-Up Payment would be payable or refundable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue. Each party agrees to keep the other party fully apprised of developments concerning such claim, audit or proceeding and to cooperate with the other in good faith in order to effectively resolve such claim, audit or proceeding.

(vi) For purposes of this Subsection (c), a determination of whether a payment is subject to Excise Taxes, including but not limited to, a determination of Change in Control, shall be made pursuant to Code Section 280G.

10. CONFIDENTIAL INFORMATION. The Executive recognizes and acknowledges that certain assets of the Company constitute Confidential Information. The term "Confidential Information" as used in this Agreement shall mean all

information which is known only to the Executive or the Company, other employees of the Company, or others in a confidential relationship with the Company, and relating to the Company's business including, without limitation, information regarding clients, customers, pricing policies, methods of operation, proprietary Company programs, sales products, profits, costs, markets, key personnel, formulae, product applications, technical processes, and trade secrets, as such information may exist from time to time, which the Executive acquired or obtained by virtue of work performed for the Company, or which the Executive may acquire or may have acquired knowledge of during the performance of said work. The Executive shall not, during Term and for a period of three (3) years thereafter disclose all or any part of the Confidential Information to any person, firm, corporation, association, or any other entity for any reason or purpose whatsoever, directly or indirectly, except as may be required pursuant to his employment hereunder, or as otherwise required by law, unless and until such Confidential Information becomes publicly available other than as a consequence of the breach by the Executive of his confidentiality obligations hereunder by law or in any judicial or administrative proceeding (in which case, the Executive shall provide the Company with notice). In the event of the termination of his employment, whether voluntary or involuntary and whether by the Company or the Executive, the Executive shall deliver to the Company all documents and data pertaining to the Confidential Information and shall not retain any documents or data of any kind or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information. The Company acknowledges that prior to his employment with the Company, the Executive has lawfully acquired extensive knowledge of the industries and businesses in which the Company engages in business, and that the provisions of this Section 10 are not intended to restrict the Executive's use of such previously acquired knowledge.

In the event that the Executive receives a request or is required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the Confidential Information, the Executive agrees to (a) promptly notify the Company in writing of the existence, terms and circumstances surrounding such request or requirement, (b) consult with the Company on the advisability of taking legally available steps to resist or narrow such request or requirement, and (c) assist the Company in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that the Company waives compliance with the provisions hereof the Executive shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by the Executive not permitted by this Agreement.

11. NON-COMPETITION AND NONSOLICITATION. During the Term and for a period of eighteen (18) calendar months after the termination of the Executive's employment (the "Non-Compete Period"), the Executive shall not, directly or indirectly, either as a principal, agent, employee, employer, stockholder, partner or in any other capacity whatsoever: (a) engage or assist others engaged, in whole or in part, in any business which is engaged in a business or enterprise involving the ownership, leasing or management of healthcare real estate (it being understood that engaging in the activity of operating a healthcare operating company which owns its own healthcare real estate is

not so prohibited), or (b) without the prior consent of the Board, solicit the employment of, or assist others in soliciting the employment of, any individual employed by the Company (other than the Executive's personal assistant or Executive's secretary) at any time while the Executive was also so employed; provided, however, that the provisions of this Section 11 shall not apply in the event the termination is by the Company without Cause or by the Executive for Good Reason.

Nothing in this Section 11 shall impede, restrict or otherwise interfere with Executive's management and operation of the Excluded Businesses. Further nothing in this Section 11 shall prohibit Executive from making any passive investment in a public company, where he is the owner of five percent (5%) or less of the issued and outstanding voting securities of any entity, provided such ownership does not result in his being obligated or required to devote any managerial efforts.

The Executive agrees that the restraints imposed upon him pursuant to this Section 11 are necessary for the reasonable and proper protection of the Company and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The parties further agree that, in the event that any provision of this Section 11 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

12. INTELLECTUAL PROPERTY. During the Term, the Executive shall promptly disclose to the Company or any successor or assign, and grant to the Company and its successors and assigns without any separate remuneration or compensation other than that received by him in the course of his employment, his entire right, title and interest in and to any and all inventions, developments, discoveries, models, or any other intellectual property of any type or nature whatsoever ("Intellectual Property"), whether developed by him during or after business hours, or alone or in connection with others, that is in any way related to the business of the Company, its successors or assigns. This provision shall not apply to books or articles authored by the Executive during non-work hours, consistent with his obligations under this Agreement, so long as such books or articles (a) are not funded in whole or in part by the Company, and (b) do not contain any confidential Information or Intellectual Property of the Company. The Executive agrees, at the Company's expense, to take all steps necessary or proper to vest title to all such Intellectual Property in the Company, and cooperate fully and assist the Company in any litigation or other proceedings involving any such Intellectual Property.

13. DISPUTES.

(a) EQUITABLE RELIEF. The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under Sections 10, 11, or 12 hereof, the Company will have no adequate remedy at law, and accordingly will be entitled to specific performance and other appropriate injunctive and equitable relief.

(b) LEGAL FEES. The Company shall pay or promptly reimburse the Executive for the reasonable legal fees and expenses incurred by the Executive in successfully enforcing or defending any right of the Executive pursuant to this Agreement even if the Executive does not prevail on each issue.

14. INDEMNIFICATION. The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the Company.

15. COOPERATION IN FUTURE MATTERS. The Executive hereby agrees that for a period of eighteen (18) months following his termination of employment he shall cooperate with the Company's reasonable requests relating to matters that pertain to the Executive's employment by the Company, including, without limitation, providing information or limited consultation as to such matters, participating in legal proceedings, investigations or audits on behalf of the Company, or otherwise making himself reasonably available to the Company for other related purposes. Any such cooperation shall be performed at scheduled times taking into consideration the Executive's other commitments, and the Executive shall be compensated at a reasonable hourly or per diem rate to be agreed upon by the parties to the extent such cooperation is required on more than an occasional and limited basis. The Executive shall not be required to perform such cooperation to the extent it conflicts with any requirements of exclusivity of services for another employer or otherwise, nor in any manner that in the good faith belief of the Executive would conflict with his rights under or ability to enforce this Agreement.

16. PAYMENTS UNDER ORIGINAL AGREEMENT. The parties acknowledge that the Executive is owed Thirty Five Thousand Seven Hundred Ten and 96/100 Dollars (\$35,710.96) of expense reimbursement under the Original Agreement, which obligation has been assumed by the Operating Partnership. The Company shall pay said sum to the Executive contemporaneously with the closing of its private placement offering or initial public offering, whichever occurs first.

17. GENERAL.

(a) NOTICES. All notices and other communications hereunder shall be in writing or by written telecommunication, and shall be deemed to have been duly given if delivered personally or if sent by overnight courier or by certified mail, return receipt requested, postage prepaid or sent by written telecommunication or telecopy, to the relevant address set forth below, or to such other address as the recipient of such notice or communication shall have specified in writing to the other party hereto, in accordance with this Section 17(a).

If to the Company, to:

1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242

If to Executive, at his last residence shown on the records of the Company.

Any such notice shall be effective (i) if delivered personally, when received, (ii) if sent by overnight courier, when receipted for, (iii) if mailed, five (5) days after being mailed, and (iv) on confirmed receipt if sent by written telecommunication or telecopy, provided a copy of such communication is sent by regular mail, as described above.

(b) SEVERABILITY. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(c) WAIVERS. No delay or omission by either party hereto in exercising any right, power or privilege hereunder shall impair such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

(d) COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(e) ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company's successors and the Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. This Agreement shall not be assignable by the Executive, it being understood and agreed that this is a contract for the Executive's personal services. This Agreement shall not be assignable by the Company except that the Company shall assign it in connection with a transaction involving the succession by a third party to all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise). When assigned to a successor, the assignee shall assume this Agreement and expressly agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of such an assignment. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets that executes and delivers the assumption agreement described in the immediately preceding sentence or that becomes bound by this Agreement by operation of law.

(f) ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties, supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof and may not be amended except by a

written instrument hereafter signed by the Executive and a duly authorized representative of the Company (other than the Executive).

(g) GOVERNING LAW. This Agreement and the performance hereof shall be construed and governed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(h) CONSTRUCTION. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. The headings of sections of this Agreement are for convenience of reference only and shall not affect its meaning or construction. Whenever any word is used herein in one gender, it shall be construed to include the other gender, and any word used in the singular shall be construed to include the plural in any case in which it would apply and vice versa.

(i) PAYMENTS AND EXERCISE OF RIGHTS AFTER DEATH. Any amounts payable hereunder after the Executive's death shall be paid to the Executive's designated beneficiary or beneficiaries, whether received as a designated beneficiary or by will or the laws of descent and distribution. The Executive may designate a beneficiary or beneficiaries for all purposes of this Agreement, and may change at any time such designation, by notice to the Company making specific reference to this Agreement. If no designated beneficiary survives the Executive or the Executive fails to designate a beneficiary for purposes of this Agreement prior to his death, all amounts thereafter due hereunder shall be paid, as and when payable, to his spouse, if she survives the Executive, and otherwise to his estate.

(j) CONSULTATION WITH COUNSEL. The Executive acknowledges that he has had a full and complete opportunity to consult with counsel or other advisers of his own choosing concerning the terms, enforceability and implications of this Agreement, and that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability and implications of this Agreement other than as are reflected in this Agreement.

(k) WITHHOLDING. Any payments provided for in this Agreement shall be paid net of any applicable income tax withholding required under federal, state or local law.

(l) CONSUMER PRICE INDEX. For purposes of this Agreement, the terms "Consumer Price Index" or "CPI" refers to the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items for Urban Wage Earners and Clerical Workers (1982-1984=100). If the CPI is hereafter converted to a different standard reference base or otherwise revised, the determination of the CPI adjustment shall be made with the use of such conversion factor, formula or table for converting the CPI, as may be published by the Bureau of Labor Statistics, or, if the bureau shall no longer publish the same, then with the use of such conversion factor, formula or table as may be published by an agency of the United

States, or failing such publication, by a nationally recognized publisher of similar statistical information.

(m) SURVIVAL. The provisions of Sections 8, 9, 10, 11, 12, 13, 14 and 15 shall survive the termination of this Agreement.

[Signatures to appear on the following page]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

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

EXECUTIVE:

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

Dated: March 1, 2004

By: /s/ Emmett E. McLean

Name: Emmett E. McLean
Title: Executive Vice President & COO
Dated: March 1, 2004

REIT:

MEDICAL PROPERTIES TRUST, INC.

By: /s/ Emmett E. McLean

Name: Emmett E. McLean
Title: Executive Vice President & COO
Dated: March 1, 2004

FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT, made as of March 8, 2004, among MEDICAL PROPERTIES TRUST, INC. (the "REIT"), MPT OPERATING PARTNERSHIP L.P., a Delaware limited partnership (the "Operating Partnership"), the REIT and the Operating Partnership (being herein referred to collectively as the "Company"), and Edward K. Aldag, Jr. (the "Executive"):

WHEREAS, the Executive and the Company entered into an Employment Agreement dated as of September 10, 2003 (the "Employment Agreement"); and

WHEREAS, the parties desire to amend the Employment Agreement as provided herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Paragraph 1(a) of the Employment Agreement is hereby deleted in its entirety and the following sentence is hereby substituted in lieu thereof:

"(a) POSITIONS. The Executive shall be employed by the Operating Partnership as its President, Chief Executive Officer and Secretary. The Executive shall also serve as the President, Chief Executive Officer and Secretary of the REIT as well as the Chairman of the REIT's Board of Directors (the "Board")."

2. All other references in the Employment Agreement to "Vice Chairman of the Board" shall be changed to "Chairman of the Board."

3. Except to the extent hereby amended, the Employment Agreement is hereby confirmed and ratified and shall continue in full force and effect.

4. The effective date of this Amendment is March 8, 2004.

[Signatures to appear on the following page]

IN WITNESS WHEREOF, the parties have executed this First Amendment to Employment Agreement as of the date first above written.

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

EXECUTIVE:

/s/ Edward K. Aldag, Jr.

Edward K. Aldag, Jr.

By: /s/ Emmett E. McLean

Dated: March 8, 2004

Name: Emmett E. McLean

Title: Executive Vice President & COO

Dated: March 8, 2004

REIT:

MEDICAL PROPERTIES TRUST, INC.

By: /s/ Emmett E. McLean

Name: Emmett E. McLean

Title: Executive Vice President & COO

Dated: March 8, 2004

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), dated as of September 10, 2003 (the "Effective Date"), among Medical Properties Trust, Inc. (the "REIT"), MPT Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") (the REIT and the Operating Partnership being herein referred to collectively as the "Company"), and Emmett E. McLean (the "Executive"):

WHEREAS, the REIT is a limited partner and, through its wholly-owned limited liability company, Medical Properties Trust, LLC (the "LLC"), is the sole general partner of the Operating Partnership;

WHEREAS, the Executive has experience serving in senior management positions for healthcare companies and also possesses expertise relating to investment banking activities;

WHEREAS, the Executive provided services to the LLC pursuant to that certain Employment Agreement dated June 19, 2003 (the "Original Agreement") which Original Agreement has been terminated and certain limited obligations thereunder have been assumed by the Operating Partnership; and

WHEREAS, the Company desires to employ the Executive and the Executive desires to accept such employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the Company and the Executive, in consideration of the respective covenants set out below, hereby agree as follows:

1. EMPLOYMENT.

(a) POSITIONS. The Executive shall be employed by the Operating Partnership as its Executive Vice President, Chief Operating Officer and Treasurer. The Executive shall also serve as the Executive Vice President, Chief Operating Officer and Treasurer of the REIT.

(b) DUTIES. The Executive shall report to the Chief Executive Officer of the Company and his principal employment duties and responsibilities shall be those duties and responsibilities customary for the positions of Executive Vice President and Chief Operating Officer, along with such other executive duties and responsibilities as the Chief Executive Officer and the Board of Directors of the REIT (the "Board") shall from time to time reasonably assign to the Executive.

(c) EXTENT OF SERVICES. Except for illnesses and vacation periods, the Executive shall devote substantially all of his business time and attention and his good faith reasonable efforts to the performance of his duties and responsibilities under this Agreement. Notwithstanding the foregoing, the Executive (i) shall be permitted to continue to manage, operate and devote time and attention to those companies and

businesses he owned, operated or controlled at the date of this Agreement that were not transferred to or purchased by the Company or the REIT (collectively referred to herein as the "Excluded Businesses"), provided that such activities do not materially detract from Executive's performance of his duties hereunder, (ii) may make any passive investment where he is not obligated or required to, and shall not in fact, devote any material managerial efforts, (iii) may participate in charitable, academic or community activities, and in trade or professional organizations, and (iv) may hold directorships in other companies consistent with the Company's conflict of interest policies and corporate governance guidelines as in effect from time to time.

2. TERM. This Agreement shall be effective as of the Effective Date and shall continue in full force and effect thereafter for a term of three (3) years following the Effective Date, and shall be automatically extended for an additional one (1) year period on each one (1) year anniversary of the Effective Date, including an anniversary that occurs within the initial three (3) year term (the last day of each such one (1) year period ending on an anniversary of the Effective Date is referred to herein as a "Term Date"), unless either party gives notice of non-renewal not later than sixty (60) days prior to a Term Date by providing written notice to the other party of such party's intent not to renew (in which case the Agreement shall not be so automatically extended for such additional one (1) year period and shall terminate at the conclusion of the remaining unextended Term), or it is sooner terminated pursuant to Section 7. For purposes of this Agreement, "Term" shall mean the actual duration of the Executive's employment hereunder, taking into account any extensions pursuant to this Section 2 or early termination of employment pursuant to Section 7, but for purposes of all compensation and benefits payable pursuant to Sections 3 through 6 hereof the Term shall be deemed to commence as of August 1, 2003.

3. BASE SALARY. The Company shall pay the Executive a Base Salary that shall be payable in periodic installments according to the Company's normal payroll practices, but no less frequently than monthly. The initial Base Salary shall be \$250,000 per year. The Board or its compensation committee (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether and to what extent the Base Salary should be increased, effective January 1 of any year during the Term; provided, however, that on January 1, 2005, the Base Salary shall be not less than \$262,500 and on each January 1 thereafter during the Term, the Base Salary shall be increased at a minimum by a positive amount equal to the Base Salary in effect on January 1 of the prior year multiplied by the percentage increase in the Consumer Price Index for such year. The amount of the increase shall be determined before March 31 of each year and shall be retroactive to January 1 of such year. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3.

4. INCENTIVE AWARDS: ANNUAL INCENTIVE BONUS. The Executive shall be entitled to receive an annual cash incentive bonus for each fiscal year during the Term of this Agreement consistent with such bonus policy as may be adopted by the

Board or its Compensation Committee ("Bonus Policy") in an amount of not less than 40% of the Executive's Base Salary (the "Minimum Bonus") or more than 100% of the Executive's Base Salary unless in the opinion of the Compensation Committee, the Executive deserves a higher amount (the "Maximum Bonus"). If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Policy for a fiscal year, he shall receive an annual incentive bonus (the "Incentive Bonus"), consistent with the provisions relating to the Minimum Bonus and the Maximum Bonus, in an amount determined by the Compensation Committee and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Policy for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to the Executive for that year other than the Minimum Bonus, subject to ratification by the Board, if required. Beginning January 1, 2004, the Bonus Policy shall contain both individual and group goals.

5. STOCK BASED AWARDS. The REIT has established the 2004 Equity Incentive Plan ("Equity Incentive Plan") which provides for the grants of options to acquire shares of the Company's \$.001 par value common stock (the "Common Shares"), awards of restricted Common Shares and awards of stock appreciation rights and performance units. Effective upon the consummation of the private placement offering or initial public offering, whichever occurs first, the Company has reserved for issuance to the Company's executive officers and other employees two and six-tenths percent (2.6%) of the outstanding Common Shares on a fully-diluted basis for awards of restricted Common Shares ("Restricted Share Grants"). The Executive shall be eligible to receive Restricted Share Grants as approved by the Compensation Committee, and if the Compensation Committee approves Restricted Share Grants to executives of the Company, then, as appropriate in the context, the Executive will receive Restricted Share Grants consistent with, and appropriate in respect of, his position as Executive Vice President, Chief Operating Officer and Treasurer. Restricted Share Grants awarded to the Executive shall be subject to vesting at the rate of 8.33% of the underlying Common Shares on the last day of each fiscal quarter thereafter until fully vested; provided, however, that the Executive will be 100% vested and all restrictions will lapse upon (i) a Change of Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), (iii) a termination by the Executive for Good Reason (as defined herein), (iv) his death, or (v) his becoming Permanently Disabled (as defined herein). The Executive will forfeit all unvested Restricted Share Grants if he is terminated for Cause or he terminates for other than Good Reason. The Common Shares issued as Restricted Share Grants will have voting and dividend rights, and, following the restriction period, shall be registered and fully transferable by the Executive.

6. BENEFITS.

(a) VACATION. The Executive shall be entitled to three (3) weeks of vacation per full calendar year. Any unused vacation time shall accrue through the first quarter of the following year.

(b) SICK AND PERSONAL DAYS. The Executive shall be entitled to sick and personal days on an as needed basis.

(c) EMPLOYEE BENEFITS.

(i) PARTICIPATION IN EMPLOYEE BENEFIT PLANS. The Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate, at the Company's expense, in any Company sponsored employee benefit plans, including but not limited to benefits such as group health, dental, accident, disability insurance and group life insurance as such benefits may be offered from time to time, on a basis no less favorable than that applicable to any other executive of the Company. In addition, Executive shall be entitled to participate, on the same basis as other Executives of the Company, in any 401(k) or other retirement plan sponsored by the Company.

(ii) DISABILITY INSURANCE. The Company shall maintain, at its cost, supplemental renewable long-term disability insurance with such terms as agreed to by the Company and the Executive.

(d) OTHER BENEFITS.

(i) ANNUAL PHYSICAL. The Company shall provide, at its costs, a medical examination for the Executive on an annual basis by a licensed physician selected by the Executive.

(ii) CAR ALLOWANCE. In lieu of mileage reimbursement and repairs and maintenance expense, the Company shall pay Executive a monthly car allowance of \$750.

(iii) TAX PREPARATION AND FINANCIAL PLANNING. The Company shall pay or promptly reimburse the Executive for costs incurred by him in connection with tax preparation and financial planning assistance, to be furnished by such advisors, including, but not limited to, auditors and attorneys, as chosen by the Executive, up to a maximum aggregate of \$10,000 annually. The amount shall be paid by the Company promptly upon presentation by the Executive of copies of any bills due to such tax and financial planning advisors. The amount paid by the Company shall be imputed as income to the Executive, and the Company will pay to the Executive such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income and the payment of such additional amount.

(iv) DIRECTORS AND OFFICERS INSURANCE. During the Term and the Severance Period (as defined herein), the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less favorable to him than the coverage provided to any other then current officers and directors.

(v) LIFE INSURANCE. The Company will pay the Executive an amount of up to \$10,000 per year for life insurance policies for his benefit and beneficiaries of his choosing. Such amount shall increase on January 1st of each year under the term hereof by multiplying by the percentage increase in the Consumer Price Index for such year. The amount shall be paid by the Company promptly upon presentation by the Executive of copies of the premium notices. The amount paid by the Company shall be imputed as income to the Executive, and the Company will pay to the Executive such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income and the payment of such additional amount (the "Executive Life Insurance Program").

(vi) EXPENSES, OFFICE AND SECRETARIAL SUPPORT. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis no less favorable than that applicable to any other executive of the Company, including, without limitation, telephone, travel and entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Executive shall also be entitled to appropriate office space, administrative support, and such other facilities and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

7. TERMINATION. The employment of the Executive by the Company pursuant to this Agreement shall terminate upon the occurrence of any of the following:

(a) DEATH OR PERMANENT DISABILITY. Immediately upon death or a determination of Permanent Disability of the Executive. As used in this Agreement, "Permanent Disability" shall mean an inability due to a physical or mental impairment to perform the material services contemplated under this Agreement for a period of six (6) months, whether or not consecutive, during any 365-day period. A determination of Permanent Disability shall be made by a physician satisfactory to both the Executive and the Company, provided that if the Executive and the Company do not agree on a physician, the Executive and the Company shall each select a physician and these two together shall select a third physician, whose determination as to Permanent Disability shall be binding on all parties. The appointment of one or more individuals to carry out the offices or duties of the Executive during a period of the Executive's inability to perform such duties and pending a determination of Permanent Disability shall not be considered a breach of this Agreement by the Company.

(b) FOR CAUSE. At the election of the Company and subject to the provisions of this Section 7(b), immediately upon written notice by the Company to the Executive of his termination for Cause. For purposes of this Agreement, "Cause" for termination shall be deemed to exist solely in the event of (i) the conviction of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, a felony (exclusive of any felony relating to negligent operation of a motor vehicle and also exclusive of a conviction, plea of guilty or nolo contendere arising solely under a statutory provision imposing criminal liability upon the Executive on a per se basis due to

the Company offices held by the Executive, so long as any act or omission of the Executive with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the Board), (ii) a willful breach of his duty of loyalty which is materially detrimental to the Company, (iii) a willful failure to perform or adhere to explicitly stated duties that are consistent with the terms of this Agreement, or the Company's reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, any business code of ethics adopted by the Board, or to follow the lawful directives of the Board (provided such directives are consistent with the terms of this Agreement), which, in any such case, continues for thirty (30) days after written notice from the Board to the Executive, or (iv) gross negligence or willful misconduct in the performance of the Executive's duties. For purposes of this Section 7(b), no act, or failure to act, on the Executive's part will be deemed "gross negligence" or "willful misconduct" unless done, or omitted to be done, by the Executive not in good faith and without a reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

(c) WITHOUT CAUSE; WITHOUT GOOD REASON. At the election of the Company, without Cause, and at the election of the Executive, without Good Reason, in either case upon thirty (30) days prior written notice to the Executive or the Company, as the case may be.

(d) FOR GOOD REASON. At the election of the Executive, for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following actions or omissions, provided the Executive notifies the Company of his determination that Good Reason exists within sixty (60) days of the action or omission on which such determination is based:

(i) failure of this Agreement to be automatically renewed, on at least comparable terms, as a result of the Company giving notice pursuant to Section 2,

(ii) the Company's failure to maintain a Bonus Policy in Section 4 hereof or to continue in effect the Equity Incentive Plan, unless comparable alternative compensation arrangements (embodied in ongoing substitute or alternative plans) have been provided to the reasonable satisfaction of the Executive,

(iii) a reduction or loss of employee benefits or material fringe benefits, both in terms of the amount of the benefit and the level of the Executive's participation therein, enjoyed by the Executive under the employee benefit and welfare plans of the Company, including, without limitation, such benefits as group health, dental, 401(k), accident, disability insurance, or group life insurance, that is caused by the Company except as is required by applicable law, or

(iv) a breach by the Company of any provision of this Agreement that continues for a period of thirty (30) days after Executive provides written notice to the Company of such breach.

8. EFFECTS OF TERMINATION.

(a) TERMINATION ON PERMANENT DISABILITY; BY THE COMPANY WITHOUT CAUSE; BY THE EXECUTIVE FOR GOOD REASON. If the employment of the Executive should terminate by reason of his becoming Permanently Disabled, a termination by the Company for any reason other than Cause, or by the Executive for Good Reason, then the Company shall pay all compensation and benefits for the Executive as follows:

(i) any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of the effective date of the termination of his employment that are related to the period of his employment preceding the effective date of the termination of his employment, including pay in lieu of accrued, but unused, vacation, and

(ii) the prorated amount of the Incentive Bonus for the year in which the termination of employment occurs, pro rated for the portion of such year during which the Executive was employed prior to the effective date of the termination of his employment, and

(iii) an amount equal to the product of (A) the sum of (1) the Executive's Base Salary as of the effective date of termination of his employment, and (2) the average cash bonus received by Executive for the past three (3) fiscal years preceding the effective date of termination (or such shorter period, if applicable), multiplied by (B) three (3).

The sum of the amount payable under subsections (ii) and (iii) hereof is referred to herein as his "Severance Payment".

(iv) The Severance Payment shall be made in a single, lump sum cash payment no later than thirty (30) days after the effective date of the termination of the Executive's employment. Such Severance Payment shall be reduced, in the case of a termination due to Permanent Disability, by the present value of the amount of disability proceeds to be received by Executive under the long term disability insurance policy carried by the Company.

(v) The Company shall allow the Executive and his spouse and dependants to continue to participate during the three (3) year period following the effective date of his termination of employment (the "Severance Period") in any and all of the employee benefit and welfare plans and programs of the Company, excluding any 401(k) plan, in which the Executive was entitled to participate immediately prior to his termination, to the same extent and upon the same terms as the Executive participated in such plans prior to his termination, provided that the Executive's continued participation is permissible or otherwise practicable under the general terms and provisions of such benefit plans and programs. During the Severance Period, the Company shall pay for the Executive's and his spouse's and dependants' continued participation in said employee

benefit and welfare plans, including but not limited to premiums for group health, dental, accident, disability insurance, director's and officers insurance, group life insurance, and his car allowance, but excluding any 401(k) plan. To the extent that continued participation is neither permissible nor practicable, the Company shall take such actions as may be necessary to provide the Executive, his spouse, and his dependants with substantially comparable benefits (without additional cost to the Executive, including any additional taxes) outside the scope of such plans including, without limitation, reimbursing the Executive for his costs in obtaining such coverage, such as COBRA premiums paid by the Executive and/or his eligible dependents. If the Executive engages in regular employment after his termination of employment (whether as an executive or as a self-employed person, but excluding his management or operation of the Excluded Businesses), any employee benefit and welfare benefits received by the Executive in consideration of such employment which are similar in nature to the employee benefit and welfare benefits provided by the Company will relieve the Company of its obligation under this Section 8(a)(v) to provide comparable benefits to the extent of the benefits so received.

(vi) The Executive's stock options awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and he shall have whatever remaining period under the options following the effective date of his termination of employment in which to exercise his vested stock options, including those stock options that vested upon his termination of employment.

(vii) The Executive's restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and all restrictions shall lapse.

(b) TERMINATION ON DEATH. Upon a termination of employment due to the Executive's death, the Executive shall become 100% vested in his stock options and restricted Common Shares awarded under the Equity Incentive Plan. The Executive's personal representative shall have whatever remaining period under the options following the Executive's death in which to exercise his vested stock options, including those stock options that vested on death. The Company shall pay to the Executive's personal representative any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his date of death and that are related to his period of employment preceding his date of death. Within sixty (60) days after the Executive's death, the Company shall pay to the Executive's personal representative the prorated amount of the Incentive Bonus for the year in which the Executive's death occurs, prorated for the portion of the year during which the Executive was employed prior to his death. The Executive's spouse and each of his dependants shall be covered under the Company's health insurance program until the earlier to occur of (i) such spouse or dependant reaching the age of sixty-five (65) or (ii) such spouse or dependant obtaining full-time employment. The Company shall pay for such coverage for a period of three (3) years and after that the Executive's spouse or dependant's shall pay for such coverage.

(c) BY THE COMPANY FOR CAUSE OR BY THE EXECUTIVE WITHOUT GOOD REASON. In the event that the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason, the Company shall pay the Executive his Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his termination of employment date and that are related to his period of employment preceding his termination date. The Executive shall be entitled to exercise his vested stock options, determined as of his termination date, pursuant to the terms of the option grant. All unvested options and unvested restricted Common Shares shall be forfeited on his termination date. The Executive shall also be entitled to all benefits accrued and vested under any employee benefit plan of the Company. The Executive, the Executive's spouse and each of his dependants shall be allowed to be covered by the Company's health insurance plan, at the Executive's costs, for a period of three (3) years or until such time as such spouse or dependant obtains full-time employment, whichever period is shorter.

(d) TERMINATION OF AUTHORITY. Immediately upon the Executive terminating or being terminated from his employment with the Company for any reason, notwithstanding anything else appearing in this Agreement or otherwise, the Executive will stop serving the functions of his terminated or expired positions, and shall be without any of the authority or responsibility for such positions. On request of the Board at any time following his termination of employment for any reason, the Executive shall resign from the Board if then a member.

9. CHANGE OF CONTROL.

(a) CHANGE OF CONTROL. For purposes of this Agreement, a "Change of Control" will be deemed to have taken place upon the occurrence of any of the following events:

(i) any person, entity or affiliated group, excluding the REIT or any employee benefit plan of the REIT, acquiring more than 50% of the then outstanding voting shares of the REIT,

(ii) the consummation of any merger or consolidation of the REIT into another company, such that the holders of the voting shares of the REIT immediately prior to such merger or consolidation own less than 50% of the voting power of the securities of the surviving company or the parent of such surviving company, or

(iii) the complete liquidation of the REIT or the sale or disposition of all or substantially all of the REIT's assets, such that after the transaction, the holders of the voting shares of the REIT immediately prior to the transaction own less than 50% of the voting securities of the acquiror or the parent of the acquiror.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL. In the event of a Change of Control, the Executive shall become 100% vested in the stock

options and restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) and, if the Executive voluntarily terminates his employment without Good Reason after the Change of Control, then the Executive shall have whatever remaining period under the options following the Change of Control in which to exercise his vested stock options, including those stock options that vested upon the Change of Control. In addition, if the Executive's employment with the Company is terminated by the Company for Cause or by the Executive without Good Reason in connection with a Change of Control, the Executive shall receive (in addition to the applicable benefits described in Section 8 hereof) a lump sum payment equal to the largest cash compensation from the Company for any twelve (12) month period during the Executive's tenure with the Company, multiplied by three (3).

(c) EXCISE TAX.

(i) In the event that any payment or benefit received or to be received by the Executive in connection with a termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (all such payments and benefits being hereinafter called "Total Payments"), such that the Executive will be subject (in whole or in part) to the excise tax imposed under Code Section 4999 ("Excise Tax") on such payments and benefits, then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of the Excise Tax and any federal, state and local tax on the Gross-Up Payment, will be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on such date, net of the maximum deduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(ii) The Executive or the Company may request, prior to the time any payments under this Agreement are made, a determination of whether any or all of the Total Payments will be subject to the Excise Tax and, if so, the amount of such Excise Tax and the federal, state and local tax imposed on the Gross-Up Payment. If such a determination is requested, it shall be made promptly, at the Company's expense, by tax counsel selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), and such determination shall be conclusive and binding on both parties. The Company agrees to provide any information reasonably requested by such tax counsel. Tax counsel may engage accountants or other experts, at the Company's expense, to the extent deemed necessary or advisable for them to reach a determination. For these purposes, the term "tax counsel" shall mean a law firm with expertise in federal income tax matters.

(iii) In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive will repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment, without any interest thereon. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder, the Company will make an additional Gross-Up Payment in respect of such excess and in respect of any portion of the Excise Tax with respect to which the Company had not previously made a Gross-Up Payment (plus any interest, penalties or additions payable by the Executive with respect to such excess and such portion) at the time that the amount of such excess is finally determined, without any interest thereon.

(iv) Each party agrees to notify the other party, in writing, of any claim that, if successful, would require the payment by the Company of a Gross-Up Payment or might entitle the Company to a refund of all or part of any previous Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive or Company is informed in writing of such claim or otherwise becomes aware of such claim. If notice of the claim arose as a result of a claim made against the Executive by a taxing authority, Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which he gives notice to the Company. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (A) give the Company any information reasonably requested by the Company relating to such claim, (B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), (C) cooperate with the Company in good faith in order to effectively contest such claim, and (D) permit the Company to reasonably participate in any proceedings relating to such claim. The Company shall bear and pay directly all costs and expenses (including legal fees and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(v) Notwithstanding the foregoing, the Company shall control all audits and proceedings taken in connection with any claim, audit or proceeding involving Excise Taxes or Gross-Up Payments and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of any such claim, audit or proceeding and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the tax in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such tax and sue for a refund, the Company

shall advance the amount of such payment to the Executive, (including interest or penalties with respect thereto) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. The Company shall be required to consult with and keep the Executive fully apprised of developments and actions being considered or taken with respect to such claim, audit or proceeding. The Company's control of the contest shall be limited to issues with respect to which such a Gross-Up Payment would be payable or refundable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue. Each party agrees to keep the other party fully apprised of developments concerning such claim, audit or proceeding and to cooperate with the other in good faith in order to effectively resolve such claim, audit or proceeding.

(vi) For purposes of this Subsection (c), a determination of whether a payment is subject to Excise Taxes, including but not limited to, a determination of Change in Control, shall be made pursuant to Code Section 280G.

10. CONFIDENTIAL INFORMATION. The Executive recognizes and acknowledges that certain assets of the Company constitute Confidential Information. The term "Confidential Information" as used in this Agreement shall mean all information which is known only to the Executive or the Company, other employees of the Company, or others in a confidential relationship with the Company, and relating to the Company's business including, without limitation, information regarding clients, customers, pricing policies, methods of operation, proprietary Company programs, sales products, profits, costs, markets, key personnel, formulae, product applications, technical processes, and trade secrets, as such information may exist from time to time, which the Executive acquired or obtained by virtue of work performed for the Company, or which the Executive may acquire or may have acquired knowledge of during the performance of said work. The Executive shall not, during Term and for a period of three (3) years thereafter disclose all or any part of the Confidential Information to any person, firm, corporation, association, or any other entity for any reason or purpose whatsoever, directly or indirectly, except as may be required pursuant to his employment hereunder, or as otherwise required by law, unless and until such Confidential Information becomes publicly available other than as a consequence of the breach by the Executive of his confidentiality obligations hereunder by law or in any judicial or administrative proceeding (in which case, the Executive shall provide the Company with notice). In the event of the termination of his employment, whether voluntary or involuntary and whether by the Company or the Executive, the Executive shall deliver to the Company all documents and data pertaining to the Confidential Information and shall not retain any documents or data of any kind or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information. The Company acknowledges that prior to his employment with the Company, the Executive has lawfully acquired extensive knowledge of the industries and businesses in which the Company engages in business, and that the provisions of this Section 10 are not intended to restrict the Executive's use of such previously acquired knowledge.

In the event that the Executive receives a request or is required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the Confidential Information, the Executive agrees to (a) promptly notify the Company in writing of the existence, terms and circumstances surrounding such request or requirement, (b) consult with the Company on the advisability of taking legally available steps to resist or narrow such request or requirement, and (c) assist the Company in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that the Company waives compliance with the provisions hereof the Executive shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by the Executive not permitted by this Agreement.

11. NON-COMPETITION AND NONSOLICITATION. During the Term and for a period of eighteen (18) calendar months after the termination of the Executive's employment (the "Non-Compete Period"), the Executive shall not, directly or indirectly, either as a principal, agent, employee, employer, stockholder, partner or in any other capacity whatsoever: (a) engage or assist others engaged, in whole or in part, in any business which is engaged in a business or enterprise involving the ownership, leasing or management of healthcare real estate (it being understood that engaging in the activity of operating a healthcare operating company which owns its own healthcare real estate is not so prohibited), or (b) without the prior consent of the Board, solicit the employment of, or assist others in soliciting the employment of, any individual employed by the Company (other than the Executive's personal assistant or Executive's secretary) at any time while the Executive was also so employed; provided, however, that the provisions of this Section 11 shall not apply in the event the termination is by the Company without Cause or by the Executive for Good Reason.

Nothing in this Section 11 shall impede, restrict or otherwise interfere with Executive's management and operation of the Excluded Businesses. Further, nothing in this Section 11 shall prohibit Executive from making any passive investment in a public company, where he is the owner of five percent (5%) or less of the issued and outstanding voting securities of any entity, provided such ownership does not result in his being obligated or required to devote any managerial efforts.

The Executive agrees that the restraints imposed upon him pursuant to this Section 11 are necessary for the reasonable and proper protection of the Company and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The parties further agree that, in the event that any provision of this Section 11 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

12. INTELLECTUAL PROPERTY. During the Term, the Executive shall promptly disclose to the Company or any successor or assign, and grant to the Company

and its successors and assigns without any separate remuneration or compensation other than that received by him in the course of his employment, his entire right, title and interest in and to any and all inventions, developments, discoveries, models, or any other intellectual property of any type or nature whatsoever ("Intellectual Property"), whether developed by him during or after business hours, or alone or in connection with others, that is in any way related to the business of the Company, its successors or assigns. This provision shall not apply to books or articles authored by the Executive during non-work hours, consistent with his obligations under this Agreement, so long as such books or articles (a) are not funded in whole or in part by the Company, and (b) do not contain any Confidential Information or Intellectual Property of the Company. The Executive agrees, at the Company's expense, to take all steps necessary or proper to vest title to all such Intellectual Property in the Company, and cooperate fully and assist the Company in any litigation or other proceedings involving any such Intellectual Property.

13. DISPUTES.

(a) **EQUITABLE RELIEF.** The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under Sections 10, 11, or 12 hereof, the Company will have no adequate remedy at law, and accordingly will be entitled to specific performance and other appropriate injunctive and equitable relief.

(b) **LEGAL FEES.** The Company shall pay or promptly reimburse the Executive for the reasonable legal fees and expenses incurred by the Executive in successfully enforcing or defending any right of the Executive pursuant to this Agreement even if the Executive does not prevail on each issue.

14. **INDEMNIFICATION.** The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the Company.

15. **COOPERATION IN FUTURE MATTERS.** The Executive hereby agrees that for a period of eighteen (18) months following his termination of employment he shall cooperate with the Company's reasonable requests relating to matters that pertain to the Executive's employment by the Company, including, without limitation, providing information or limited consultation as to such matters, participating in legal proceedings, investigations or audits on behalf of the Company, or otherwise making himself reasonably available to the Company for other related purposes. Any such cooperation shall be performed at scheduled times taking into consideration the Executive's other commitments, and the Executive shall be compensated at a reasonable hourly or per diem rate to be agreed upon by the parties to the extent such cooperation is required on more than an occasional and limited basis. The Executive shall not be required to perform such cooperation to the extent it conflicts with any requirements of exclusivity of services for

another employer or otherwise, nor in any manner that in the good faith belief of the Executive would conflict with his rights under or ability to enforce this Agreement.

16. PAYMENTS UNDER ORIGINAL AGREEMENT. The parties acknowledge that the Executive is owed One Thousand Eight Hundred Fifty One and 83/100 Dollars (\$1,851.83) of the expense reimbursement under the Original Agreement, which obligation has been assumed by the Operating Partnership. The Company shall pay said sum to the Executive contemporaneously with the closing of its private placement offering or initial public offering, whichever occurs first.

17. GENERAL.

(a) NOTICES. All notices and other communications hereunder shall be in writing or by written telecommunication, and shall be deemed to have been duly given if delivered personally or if sent by overnight courier or by certified mail, return receipt requested, postage prepaid or sent by written telecommunication or telecopy, to the relevant address set forth below, or to such other address as the recipient of such notice or communication shall have specified in writing to the other party hereto, in accordance with this Section 17(a).

If to the Company, to:

1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242

If to Executive, at his last residence shown on the records of the Company.

Any such notice shall be effective (i) if delivered personally, when received, (ii) if sent by overnight courier, when receipted for, (iii) if mailed, five (5) days after being mailed, and (iv) on confirmed receipt if sent by written telecommunication or telecopy, provided a copy of such communication is sent by regular mail, as described above.

(b) SEVERABILITY. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(c) WAIVERS. No delay or omission by either party hereto in exercising any right, power or privilege hereunder shall impair such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

(d) COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall

constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(e) ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company's successors and the Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. This Agreement shall not be assignable by the Executive, it being understood and agreed that this is a contract for the Executive's personal services. This Agreement shall not be assignable by the Company except that the Company shall assign it in connection with a transaction involving the succession by a third party to all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise). When assigned to a successor, the assignee shall assume this Agreement and expressly agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of such an assignment. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets that executes and delivers the assumption agreement described in the immediately preceding sentence or that becomes bound by this Agreement by operation of law.

(f) ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties, supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof and may not be amended except by a written instrument hereafter signed by the Executive and a duly authorized representative of the Company (other than the Executive).

(g) GOVERNING LAW. This Agreement and the performance hereof shall be construed and governed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(h) CONSTRUCTION. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. The headings of sections of this Agreement are for convenience of reference only and shall not affect its meaning or construction. Whenever any word is used herein in one gender, it shall be construed to include the other gender, and any word used in the singular shall be construed to include the plural in any case in which it would apply and vice versa.

(i) PAYMENTS AND EXERCISE OF RIGHTS AFTER DEATH. Any amounts payable hereunder after the Executive's death shall be paid to the Executive's designated beneficiary or beneficiaries, whether received as a designated beneficiary or by will or the laws of descent and distribution. The Executive may designate a beneficiary or beneficiaries for all purposes of this Agreement, and may change at any time such designation, by notice to the Company making specific reference to this Agreement. If no designated beneficiary survives the Executive or the Executive fails to designate a beneficiary for purposes of this Agreement prior to his death, all amounts

thereafter due hereunder shall be paid, as and when payable, to his spouse, if she survives the Executive, and otherwise to his estate.

(j) CONSULTATION WITH COUNSEL. The Executive acknowledges that he has had a full and complete opportunity to consult with counsel or other advisers of his own choosing concerning the terms, enforceability and implications of this Agreement, and that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability and implications of this Agreement other than as are reflected in this Agreement.

(k) WITHHOLDING. Any payments provided for in this Agreement shall be paid net of any applicable income tax withholding required under federal, state or local law.

(l) CONSUMER PRICE INDEX. For purposes of this Agreement, the terms "Consumer Price Index" or "CPI" refers to the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items for Urban Wage Earners and Clerical Workers (1982-1984=100). If the CPI is hereafter converted to a different standard reference base or otherwise revised, the determination of the CPI adjustment shall be made with the use of such conversion factor, formula or table for converting the CPI, as may be published by the Bureau of Labor Statistics, or, if the bureau shall no longer publish the same, then with the use of such conversion factor, formula or table as may be published by an agency of the United States, or failing such publication, by a nationally recognized publisher of similar statistical information.

(m) SURVIVAL. The provisions of Sections 8, 9, 10, 11, 12, 13, 14 and 15 shall survive the termination of this Agreement.

[Signatures to appear on the following page]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

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

EXECUTIVE:
/s/ Emmett E. McLean

Emmett E. McLean
Dated: March 1, 2004

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

Name: Edward K. Aldag, Jr.

Title: President & CEO

Dated: March 1, 2004

REIT:
MEDICAL PROPERTIES TRUST, INC.

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

Name: Edward K. Aldag, Jr.

Title: President & CEO

Dated: March 1, 2004

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), dated as of September 10, 2003 (the "Effective Date"), among Medical Properties Trust, Inc. (the "REIT"), MPT Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") (the REIT and the Operating Partnership being herein referred to collectively as the "Company"), and Richard S. Hamner (the "Executive"):

WHEREAS, the REIT is a limited partner and, through its wholly-owned limited liability company, Medical Properties Trust, LLC (the "LLC"), is the sole general partner of the Operating Partnership;

WHEREAS, the Executive has experience in serving in the role of chief financial officer for operating companies and also possesses expertise relating to investment banking activities; and

WHEREAS, the Company desires to employ the Executive and the Executive desires to accept such employment, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the Company and the Executive, in consideration of the respective covenants set out below, hereby agree as follows:

1. EMPLOYMENT.

(a) POSITIONS. The Executive shall be employed by the Operating Partnership as its Executive Vice President and Chief Financial Officer. The Executive shall also serve as the Executive Vice President and Chief Financial Officer of the REIT.

(b) DUTIES. The Executive shall report to the Chief Executive Officer of the Company and his principal employment duties and responsibilities shall be those duties and responsibilities customary for the positions of Executive Vice President and Chief Financial Officer, along with such other duties and responsibilities as the Chief Executive Officer and the Board of Directors of the REIT (the "Board") shall from time to time reasonably assign to the Executive.

(c) EXTENT OF SERVICES. Except for illnesses and vacation periods, the Executive shall devote substantially all of his business time and attention and his good faith reasonable efforts to the performance of his duties and responsibilities under this Agreement. Notwithstanding the foregoing, the Executive (i) shall be permitted to continue to manage, operate and devote time and attention to Transaction Analysis, LLC and those companies and businesses he owned, operated or controlled at the date of this Agreement that were not transferred to or purchased by the Company or the REIT (collectively referred to herein as the "Excluded Businesses"), provided that such activities do not materially detract from Executive's performance of his duties hereunder (and if determined by the CEO of the Company that such continued management of Transaction Analysis, LLC is not in the best interest of the Company, the Executive will

be given a reasonable time period to wind down the activities of such business so that the Executive may devote 100% of his time to the Company), (ii) may make any passive investment where he is not obligated or required to, and shall not in fact, devote any material managerial efforts, (iii) may participate in charitable, academic or community activities, and in trade or professional organizations, and (iv) may hold directorships in other companies consistent with the Company's conflict of interest policies and corporate governance guidelines as in effect from time to time.

2. TERM. This Agreement shall be effective as of the Effective Date and shall continue in full force and effect thereafter for a term of three (3) years following the Effective Date, and shall be automatically extended for an additional one (1) year period on each one (1) year anniversary of the Effective Date, including an anniversary that occurs within the initial three (3) year term (the last day of each one (1) year period ending on an anniversary of the Effective Date is referred to herein as a "Term Date"), unless either party gives notice of non-renewal not later than sixty (60) days prior to a Term Date by providing written notice to the other party of such party's intent not to renew (in which case the Agreement shall not be so automatically extended for such additional one (1) year period and shall terminate at the conclusion of the remaining unextended Term), or it is sooner terminated pursuant to Section 7. For purposes of this Agreement, "Term" shall mean the actual duration of the Executive's employment hereunder, taking into account any extensions pursuant to this Section 2 or early termination of employment pursuant to Section 7, but for purposes of all compensation and benefits payable pursuant to sections 3 through 6 hereof the Term shall be deemed to commence as of August 1, 2003.

3. BASE SALARY. The Company shall pay the Executive a Base Salary that shall be payable in periodic installments according to the Company's normal payroll practices, but no less frequently than monthly. The initial Base Salary shall be \$250,000 per year. The Board or its compensation committee (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether and to what extent the Base Salary should be increased, effective January 1 of any year during the Term; provided, however, that on January 1, 2005, the Base Salary shall be not less than \$262,500 and on each January 1 thereafter during the Term, the Base Salary shall be increased at a minimum by a positive amount equal to the Base Salary in effect on January 1 of the prior year multiplied by the percentage increase in the Consumer Price Index for such year. The amount of the increase shall be determined before March 31 of each year and shall be retroactive to January 1 of such year. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3.

4. INCENTIVE AWARDS: ANNUAL INCENTIVE BONUS. The Executive shall be entitled to receive an annual cash incentive bonus for each fiscal year during the Term of this Agreement consistent with such bonus policy as may be adopted by the Board or its Compensation Committee ("Bonus Policy") in an amount of not less than 40% of the Executive's Base Salary (the "Minimum Bonus") or more than 100% of the Executive's Base Salary unless in the opinion of the Compensation Committee the Executive deserves

a higher amount (the "Maximum Bonus"). If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Policy for a fiscal year, he shall receive an annual incentive bonus (the "Incentive Bonus"), consistent with the provisions relating to the Minimum Bonus and the Maximum Bonus in an amount determined by the Compensation Committee and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Policy for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to the Executive for that year other than the Minimum Bonus, subject to ratification by the Board, if required. Beginning January 1, 2004, the Bonus Policy shall contain both individual and group goals.

5. STOCK BASED AWARDS. The REIT has established the 2004 Equity Incentive Plan ("Equity Incentive Plan") which provides for the grants of options to acquire shares of the Company's \$.001 par value common stock (the "Common Shares"), awards of restricted Common Shares and awards of stock appreciation rights and performance units. Effective upon the consummation of the private placement offering or initial public offering, whichever occurs first, the Company has reserved for issuance to the Company's executive officers and other employees two and six-tenths percent (2.6%) of the outstanding Common Shares on a fully-diluted basis for awards of restricted Common Shares ("Restricted Share Grants"). The Executive shall be eligible to receive Restricted Share Grants as approved by the Compensation Committee, and if the Compensation Committee approves Restricted Share Grants to executives of the Company, then, as appropriate in the context, the Executive will receive Restricted Share Grants consistent with, and appropriate in respect of, his positions as Executive Vice-President and Chief Financial Officer. Restricted Share Grants awarded to the Executive shall be subject to vesting at the rate of 8.33% of the underlying Common Shares on the last day of each fiscal quarter thereafter until fully vested; provided, however, that the Executive will be 100% vested and all restrictions will lapse upon (i) a Change of Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), (iii) a termination by the Executive for Good Reason (as defined herein), (iv) his death, or (v) his becoming Permanently Disabled (as defined herein). The Executive will forfeit all unvested Restricted Share Grants if he is terminated for Cause or he terminates for other than Good Reason. The Common Shares issued as Restricted Share Grants will have voting and dividend rights, and, following the restriction period, shall be registered and fully transferable by the Executive.

6. BENEFITS.

(a) VACATION. The Executive shall be entitled to three (3) weeks of vacation per full calendar year. Any unused vacation time will accrue through the first quarter of the following year.

(b) SICK AND PERSONAL DAYS. The Executive shall be entitled to sick and personal days on an as needed basis.

(c) EMPLOYEE BENEFITS.

(i) PARTICIPATION IN EMPLOYEE BENEFIT PLANS. The Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate, at the Company's expense, in any Company sponsored employee benefit plans, including but not limited to benefits such as group health, dental, accident, disability insurance and group life insurance as such benefits may be offered from time to time, on a basis no less favorable than that applicable to any other executive of the Company. In addition, Executive shall be entitled to participate, on the same basis as other Executives of the Company, in any 401(k) or other retirement plan sponsored by the Company.

(ii) DISABILITY INSURANCE. The Company shall maintain, at its cost, supplemental renewable long-term disability insurance with such terms as agreed to by the Company and the Executive.

(d) OTHER BENEFITS.

(i) ANNUAL PHYSICAL. The Company shall provide, at its costs, a medical examination for the Executive on an annual basis by a licensed physician selected by the Executive.

(ii) CAR ALLOWANCE. In lieu of mileage reimbursement and repairs and maintenance expense, the Company shall pay Executive a monthly car allowance of \$750.

(iii) TAX PREPARATION AND FINANCIAL PLANNING. The Company shall pay or promptly reimburse the Executive for costs incurred by him in connection with tax preparation and financial planning assistance, to be furnished by such advisors, including, but not limited to, auditors and attorneys, as chosen by the Executive, up to a maximum aggregate of \$10,000 annually. The amount shall be paid by the Company promptly upon presentation by the Executive of copies of any bills due to such tax and financial planning advisors. The amount paid by the Company shall be imputed as income to the Executive, and the Company will pay to the Executive such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income and the payment of such additional amount.

(iv) DIRECTORS AND OFFICERS INSURANCE. During the Term and the Severance Period (as defined herein), the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less favorable to him than the coverage provided to any other then current officers and directors.

(v) LIFE INSURANCE. The Company will pay the Executive an amount of up to \$10,000 per year for life insurance policies for his benefit and beneficiaries of his choosing. Such amount shall increase on January 1st of each year under the term hereof by multiplying by the percentage increase in the Consumer Price Index for such year. The amount shall be paid by the Company promptly upon presentation by the Executive of copies of the premium notices. The amount paid by the

Company shall be imputed as income to the Executive, and the Company will pay to the Executive such additional amount as necessary to pay any federal, state or local tax liability with respect to such imputed income and the payment of such additional amount (the "Executive Life Insurance Program").

(vi) EXPENSES, OFFICE AND SECRETARIAL SUPPORT. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis no less favorable than that applicable to any other executive of the Company, including, without limitation, telephone, travel and entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Executive shall also be entitled to appropriate office space, administrative support, and such other facilities and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

7. TERMINATION. The employment of the Executive by the Company pursuant to this Agreement shall terminate upon the occurrence of any of the following:

(a) DEATH OR PERMANENT DISABILITY. Immediately upon death or a determination of Permanent Disability of the Executive. As used in this Agreement, "Permanent Disability" shall mean an inability due to a physical or mental impairment to perform the material services contemplated under this Agreement for a period of six (6) months, whether or not consecutive, during any 365-day period. A determination of Permanent Disability shall be made by a physician satisfactory to both the Executive and the Company, provided that if the Executive and the Company do not agree on a physician, the Executive and the Company shall each select a physician and these two together shall select a third physician, whose determination as to Permanent Disability shall be binding on all parties. The appointment of one or more individuals to carry out the offices or duties of the Executive during a period of the Executive's inability to perform such duties and pending a determination of Permanent Disability shall not be considered a breach of this Agreement by the Company.

(b) FOR CAUSE. At the election of the Company and subject to the provisions of this Section 7(b), immediately upon written notice by the Company to the Executive of his termination for Cause. For purposes of this Agreement, "Cause" for termination shall be deemed to exist solely in the event of (i) the conviction of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, a felony (exclusive of any felony relating to negligent operation of a motor vehicle and also exclusive of a conviction, plea of guilty or nolo contendere arising solely under a statutory provision imposing criminal liability upon the Executive on a per se basis due to the Company offices held by the Executive, so long as any act or omission of the Executive with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the Board), (ii) a willful breach of his duty of loyalty which is materially detrimental to the Company, (iii) a willful failure to perform or adhere to explicitly stated duties that are consistent with the terms of this Agreement, or the Company's reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, any

business code of ethics adopted by the Board, or to follow the lawful directives of the Board (provided such directives are consistent with the terms of this Agreement), which, in any such case, continues for thirty (30) days after written notice from the Board to the Executive, or (iv) gross negligence or willful misconduct in the performance of the Executive's duties. For purposes of this Section 7(b), no act, or failure to act, on the Executive's part will be deemed "gross negligence" or "willful misconduct" unless done, or omitted to be done, by the Executive not in good faith and without a reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

(c) WITHOUT CAUSE; WITHOUT GOOD REASON. At the election of the Company, without Cause, and at the election of the Executive, without Good Reason, in either case upon ninety (90) days prior written notice to the Executive or the Company, as the case may be.

(d) FOR GOOD REASON. At the election of the Executive, for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following actions or omissions, provided the Executive notifies the Company of his determination that Good Reason exists within sixty (60) days of the action or omission on which such determination is based:

(i) failure of this Agreement to be automatically renewed, on at least comparable terms, as a result of the Company giving notice pursuant to Section 2.

(ii) the Company's failure to maintain a Bonus Policy consistent with Section 4 hereof or to continue in effect the Equity Incentive Plan, unless comparable alternative compensation arrangements (embodied in ongoing substitute or alternative plans) have been provided to the reasonable satisfaction of the Executive,

(iii) a reduction or loss of employee benefits or material fringe benefits, both in terms of the amount of the benefit and the level of the Executive's participation therein, enjoyed by the Executive under the employee benefit and welfare plans of the Company, including, without limitation, such benefits as group health, dental, 401(k), accident, disability insurance, or group life insurance, that is caused by the Company except as is required by applicable law, or

(iv) a breach by the Company of any provision of this Agreement that continues for a period of thirty (30) days after Executive provides written notice to the Company of such breach.

8. EFFECTS OF TERMINATION.

(a) TERMINATION ON PERMANENT DISABILITY; BY THE COMPANY WITHOUT CAUSE; BY THE EXECUTIVE FOR GOOD REASON. If the employment of the Executive should terminate by reason of his becoming Permanently Disabled, a termination by the Company for any reason other than Cause, or by the Executive for Good Reason, then the Company shall pay all compensation and benefits for the Executive as follows:

(i) any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of the effective date of the termination of his employment that are related to the period of his employment preceding the effective date of the termination of his employment, including pay in lieu of accrued, but unused, vacation, and

(ii) the prorated amount of the Incentive Bonus for the year in which the termination of employment occurs, pro rated for the portion of such year during which the Executive was employed prior to the effective date of the termination of his employment, and

(iii) an amount equal to (A) the sum of (1) the Executive's Base Salary (as of the effective date of termination) and (2) the average cash bonus received by Executive for the past three (3) fiscal years preceding the effective date of termination (or such shorter period, if applicable), multiplied by (B) three (3).

The sum of the amount payable under subsections (ii) and (iii) hereof is referred to herein as his "Severance Payment".

(iv) The Severance Payment shall be made in a single, lump sum cash payment no later than thirty (30) days after the effective date of the termination of the Executive's employment. Such Severance Payment shall be reduced, in the case of a termination due to Permanent Disability, by the present value of the of the amount of disability proceeds to be received by Executive under the long term disability insurance policy carried by the Company.

(v) The Company shall allow the Executive and his spouse and dependants to continue to participate during the three (3) year period following the effective date of the termination of his employment (the "Severance Period") in any and all of the employee benefit and welfare plans and programs of the Company, excluding any 401(k) plan, in which the Executive was entitled to participate immediately prior to his termination, to the same extent and upon the same terms as the Executive participated in such plans prior to his termination, provided that the Executive's continued participation is permissible or otherwise practicable under the general terms and provisions of such benefit plans and programs. During the Severance Period, the Company shall pay for the Executive's and his spouse's and dependants' continued participation in said employee benefit and welfare plans, including but not limited to premiums for group health, dental, accident, disability insurance, director's and officers insurance, group life insurance, and his car allowance, but excluding any 401(k) plan. To the extent that continued participation is neither permissible nor practicable, the Company shall take such actions as may be necessary to provide the Executive, his spouse, and his dependants with substantially comparable benefits (without additional cost to the Executive, including any additional taxes) outside the scope of such plans including, without limitation, reimbursing the Executive for his costs in obtaining such coverage, such as COBRA premiums paid by the Executive and/or his eligible dependents. If the Executive engages in regular employment after his termination of employment (whether as an executive or as a self-employed person, but excluding his

management or operation of the Excluded Businesses), any employee benefit and welfare benefits received by the Executive in consideration of such employment which are similar in nature to the employee benefit and welfare benefits provided by the Company will relieve the Company of its obligation under this Section 8(a)(v) to provide comparable benefits to the extent of the benefits so received.

(vi) The Executive's stock options awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and he shall have whatever remaining period under the options following the effective date of his termination of employment in which to exercise his vested stock options, including those stock options that vested upon his termination of employment.

(vii) The Executive's restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and all restrictions shall lapse.

(b) TERMINATION ON DEATH. Upon a termination of employment due to the Executive's death, the Executive shall become 100% vested in his stock options and restricted Common Shares awarded under the Equity Incentive Plan. The Executive's personal representative shall have whatever remaining period under the options following the Executive's death in which to exercise his vested stock options, including those stock options that vested on death. The Company shall pay to the Executive's personal representative any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his date of death and that are related to his period of employment preceding his date of death. Within sixty (60) days after the Executive's death, the Company shall pay to the Executive's personal representative the prorated amount of the Incentive Bonus for the year in which the Executive's death occurs, prorated for the portion of the year during which the Executive was employed prior to his death. The Executive's spouse and each of his dependants shall be covered under the Company's health insurance program until the earlier to occur of (i) the expiration date of the Term if such termination had not occurred or (ii) such spouse or dependant obtaining full-time employment. The Company shall pay for such coverage for a period of three (3) years and after that the Executive's spouse or dependants shall pay for such coverage.

(c) BY THE COMPANY FOR CAUSE OR BY THE EXECUTIVE WITHOUT GOOD REASON. In the event that the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason, the Company shall pay the Executive his Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his termination of employment date and that are related to his period of employment preceding his termination date. The Executive shall be entitled to exercise his vested stock options, determined as of his termination date, pursuant to the terms of the option grant. All unvested options and unvested restricted Common Shares shall be forfeited on his termination date. The Executive shall also be entitled to all benefits accrued and vested under any employee benefit plan of the Company. The Executive, the Executive's spouse and each of his dependants shall be allowed to be covered by the Company's

health insurance plan, at the Executive's costs, for the period remaining in the Term had such termination not occurred or until such time as such spouse or dependant obtains full-time employment, whichever period is shorter.

(d) TERMINATION OF AUTHORITY. Immediately upon the Executive terminating or being terminated from his employment with the Company for any reason, notwithstanding anything else appearing in this Agreement or otherwise, the Executive will stop serving the functions of his terminated or expired positions, and shall be without any of the authority or responsibility for such positions. On request of the Board at any time following his termination of employment for any reason, the Executive shall resign from the Board if then a member.

9. CHANGE OF CONTROL.

(a) CHANGE OF CONTROL. For purposes of this Agreement, a "Change of Control" will be deemed to have taken place upon the occurrence of any of the following events:

(i) any person, entity or affiliated group, excluding the REIT or any employee benefit plan of the REIT, acquiring more than 50% of the then outstanding voting shares of the REIT,

(ii) the consummation of any merger or consolidation of the REIT into another company, such that the holders of the voting shares of the REIT immediately prior to such merger or consolidation own less than 50% of the voting power of the securities of the surviving company or the parent of such surviving company, or

(iii) the complete liquidation of the REIT or the sale or disposition of all or substantially all of the REIT's assets, such that after the transaction, the holders of the voting shares of the REIT immediately prior to the transaction own less than 50% of the voting securities of the acquiror or the parent of the acquiror.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL. In the event of a Change of Control, the Executive shall become 100% vested in the stock options and restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) and, if the Executive voluntarily terminates his employment without Good Reason after the Change of Control, then the Executive shall have whatever remaining period under the options following the Change of Control in which to exercise his vested stock options, including those stock options that vested upon the Change of Control. In addition, if the Executive's employment with the Company is terminated by the Company for Cause or by the Executive without Good Reason in connection with a Change of Control, the Executive shall receive (in addition to the applicable benefits described in Section 8 hereof) a lump sum payment equal to the largest cash compensation from the Company for any twelve (12) month period during the Executive's tenure with the Company, multiplied by three (3).

(c) EXCISE TAX.

(i) In the event that any payment or benefit received or to be received by the Executive in connection with a termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (all such payments and benefits being hereinafter called "Total Payments"), such that the Executive will be subject (in whole or in part) to the excise tax imposed under Code Section 4999 ("Excise Tax") on such payments and benefits, then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of the Excise Tax and any federal, state and local tax on the Gross-Up Payment, will be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on such date, net of the maximum deduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(ii) The Executive or the Company may request, prior to the time any payments under this Agreement are made, a determination of whether any or all of the Total Payments will be subject to the Excise Tax and, if so, the amount of such Excise Tax and the federal, state and local tax imposed on the Gross-Up Payment. If such a determination is requested, it shall be made promptly, at the Company's expense, by tax counsel selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), and such determination shall be conclusive and binding on both parties. The Company agrees to provide any information reasonably requested by such tax counsel. Tax counsel may engage accountants or other experts, at the Company's expense, to the extent deemed necessary or advisable for them to reach a determination. For these purposes, the term "tax counsel" shall mean a law firm with expertise in federal income tax matters.

(iii) In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive will repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment, without any interest thereon. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder, the Company will make an additional Gross-Up Payment in respect of such excess and in respect of any portion of the Excise Tax with respect to which the Company had not previously made a Gross-Up Payment (plus any interest, penalties or additions payable by the Executive with respect to such excess and such portion) at the time that the amount of such excess is finally determined, without any interest thereon.

(iv) Each party agrees to notify the other party, in writing, of any claim that, if successful, would require the payment by the Company of a Gross-Up Payment or might entitle the Company to a refund of all or part of any previous Gross-Up Payment.

Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive or Company is informed in writing of such claim or otherwise becomes aware of such claim. If notice of the claim arose as a result of a claim made against the Executive by a taxing authority, Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which he gives notice to the Company. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (A) give the Company any information reasonably requested by the Company relating to such claim, (B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), (C) cooperate with the Company in good faith in order to effectively contest such claim, and (D) permit the Company to reasonably participate in any proceedings relating to such claim. The Company shall bear and pay directly all costs and expenses (including legal fees and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(v) Notwithstanding the foregoing, the Company shall control all audits and proceedings taken in connection with any claim, audit or proceeding involving Excise Taxes or Gross-Up Payments and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of any such claim, audit or proceeding and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the tax in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such tax and sue for a refund, the Company shall advance the amount of such payment to the Executive, (including interest or penalties with respect thereto) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. The Company shall be required to consult with and keep the Executive fully apprised of developments and actions being considered or taken with respect to such claim, audit or proceeding. The Company's control of the contest shall be limited to issues with respect to which such a Gross-Up Payment would be payable or refundable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue. Each party agrees to keep the other party fully apprised of developments concerning such claim, audit or proceeding and to cooperate with the other in good faith in order to effectively resolve such claim, audit or proceeding.

(vi) For purposes of this Subsection (c), a determination of whether a payment is subject to Excise Taxes, including but not limited to, a determination of Change in Control, shall be made pursuant to Code Section 280G.

10. CONFIDENTIAL INFORMATION. The Executive recognizes and acknowledges that certain assets of the Company constitute Confidential Information. The term "Confidential Information" as used in this Agreement shall mean all information which is known only to the Executive or the Company, other employees of the Company, or others in a confidential relationship with the Company, and relating to the Company's business including, without limitation, information regarding clients, customers, pricing policies, methods of operation, proprietary Company programs, sales products, profits, costs, markets, key personnel, formulae, product applications, technical processes, and trade secrets, as such information may exist from time to time, which the Executive acquired or obtained by virtue of work performed for the Company, or which the Executive may acquire or may have acquired knowledge of during the performance of said work. The Executive shall not, during Term and for a period of three (3) years thereafter disclose all or any part of the Confidential Information to any person, firm, corporation, association, or any other entity for any reason or purpose whatsoever, directly or indirectly, except as may be required pursuant to his employment hereunder, or as otherwise required by law, unless and until such Confidential Information becomes publicly available other than as a consequence of the breach by the Executive of his confidentiality obligations hereunder by law or in any judicial or administrative proceeding (in which case, the Executive shall provide the Company with notice). In the event of the termination of his employment, whether voluntary or involuntary and whether by the Company or the Executive, the Executive shall deliver to the Company all documents and data pertaining to the Confidential Information and shall not retain any documents or data of any kind or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information. The Company acknowledges that prior to his employment with the Company, the Executive has lawfully acquired extensive knowledge of the industries and businesses in which the Company engages in business, and that the provisions of this Section 10 are not intended to restrict the Executive's use of such previously acquired knowledge.

In the event that the Executive receives a request or is required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the Confidential Information, the Executive agrees to (a) promptly notify the Company in writing of the existence, terms and circumstances surrounding such request or requirement, (b) consult with the Company on the advisability of taking legally available steps to resist or narrow such request or requirement, and (c) assist the Company in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that the Company waives compliance with the provisions hereof the Executive shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by the Executive not permitted by this Agreement.

11. NON-COMPETITION AND NONSOLICITATION. During the Term and for a period of an eighteen (18) calendar months after the termination of the Executive's employment (the "Non-Compete Period"), the Executive shall not, directly or indirectly, either as a principal, agent, employee, employer, stockholder, partner or in any other capacity whatsoever: (a) engage or assist others engaged, in whole or in part, in any business which is engaged in a business or enterprise involving the ownership, leasing or

management of healthcare real estate (it being understood that the activity of operating a healthcare operating company which owns its own healthcare real estate is not so prohibited) or (b) without the prior consent of the Board, solicit the employment of, or assist others in soliciting the employment of, any individual employed by the Company (other than the Executive's personal assistant or Executive's secretary) at any time while the Executive was also so employed; provided, however, that the provisions of this Section 11 shall not apply in the event the termination is by the Company without Cause or by the Executive for Good Reason.

Nothing in this Section 11 shall impede, restrict or otherwise interfere with Executive's management and operation of the Excluded Businesses. Further, nothing in this Section 11 shall prohibit Executive from making any passive investment in a public company, where he is the owner of five percent (5%) or less of the issued and outstanding voting securities of any entity, provided such ownership does not result in his being obligated or required to devote any managerial efforts.

The Executive agrees that the restraints imposed upon him pursuant to this Section 11 are necessary for the reasonable and proper protection of the Company and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The parties further agree that, in the event that any provision of this Section 11 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

12. INTELLECTUAL PROPERTY. During the Term, the Executive shall promptly disclose to the Company or any successor or assign, and grant to the Company and its successors and assigns without any separate remuneration or compensation other than that received by him in the course of his employment, his entire right, title and interest in and to any and all inventions, developments, discoveries, models, or any other intellectual property of any type or nature whatsoever ("Intellectual Property"), whether developed by him during or after business hours, or alone or in connection with others, that is in any way related to the business of the Company, its successors or assigns. This provision shall not apply to books or articles authored by the Executive during non-work hours, consistent with his obligations under this Agreement, so long as such books or articles (a) are not funded in whole or in part by the Company, and (b) do not contain any confidential Information or Intellectual Property of the Company. The Executive agrees, at the Company's expense, to take all steps necessary or proper to vest title to all such Intellectual Property in the Company, and cooperate fully and assist the Company in any litigation or other proceedings involving any such Intellectual Property.

13. DISPUTES.

(a) **EQUITABLE RELIEF.** The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under Sections 10, 11, or 12 hereof, the

Company will have no adequate remedy at law, and accordingly will be entitled to specific performance and other appropriate injunctive and equitable relief.

(b) LEGAL FEES. The Company shall pay or promptly reimburse the Executive for the reasonable legal fees and expenses incurred by the Executive in successfully enforcing or defending any right of the Executive pursuant to this Agreement even if the Executive does not prevail on each issue.

14. INDEMNIFICATION. The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the Company.

15. COOPERATION IN FUTURE MATTERS. The Executive hereby agrees that for a period of eighteen (18) months following his termination of employment he shall cooperate with the Company's reasonable requests relating to matters that pertain to the Executive's employment by the Company, including, without limitation, providing information or limited consultation as to such matters, participating in legal proceedings, investigations or audits on behalf of the Company, or otherwise making himself reasonably available to the Company for other related purposes. Any such cooperation shall be performed at scheduled times taking into consideration the Executive's other commitments, and the Executive shall be compensated at a reasonable hourly or per diem rate to be agreed upon by the parties to the extent such cooperation is required on more than an occasional and limited basis. The Executive shall not be required to perform such cooperation to the extent it conflicts with any requirements of exclusivity of services for another employer or otherwise, nor in any manner that in the good faith belief of the Executive would conflict with his rights under or ability to enforce this Agreement.

16. EXPENSE REIMBURSEMENT. The parties acknowledge that the Executive is owed Three Hundred Eighty One and 96/100 Dollars (\$381.96) of expense reimbursement by the LLC which has been assumed by the Operating Partnership. The Company shall pay said sum to the Executive contemporaneously with the closing of its private placement offering or initial public offering, whichever occurs first.

17. GENERAL.

(a) NOTICES. All notices and other communications hereunder shall be in writing or by written telecommunication, and shall be deemed to have been duly given if delivered personally or if sent by overnight courier or by certified mail, return receipt requested, postage prepaid or sent by written telecommunication or teletype, to the relevant address set forth below, or to such other address as the recipient of such notice or communication shall have specified in writing to the other party hereto, in accordance with this Section 17(a).

If to the Company, to:

1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242

If to Executive, at his last residence shown on the records of the Company.

Any such notice shall be effective (i) if delivered personally, when received, (ii) if sent by overnight courier, when receipted for, (iii) if mailed, five (5) days after being mailed, and (iv) on confirmed receipt if sent by written telecommunication or telecopy, provided a copy of such communication is sent by regular mail, as described above.

(b) SEVERABILITY. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(c) WAIVERS. No delay or omission by either party hereto in exercising any right, power or privilege hereunder shall impair such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

(d) COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(e) ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company's successors and the Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. This Agreement shall not be assignable by the Executive, it being understood and agreed that this is a contract for the Executive's personal services. This Agreement shall not be assignable by the Company except that the Company shall assign it in connection with a transaction involving the succession by a third party to all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise). When assigned to a successor, the assignee shall assume this Agreement and expressly agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of such an assignment. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets that executes and delivers the assumption agreement described in the immediately preceding sentence or that becomes bound by this Agreement by operation of law.

(f) ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties, supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof and may not be amended except by a

written instrument hereafter signed by the Executive and a duly authorized representative of the Company (other than the Executive).

(g) GOVERNING LAW. This Agreement and the performance hereof shall be construed and governed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(h) CONSTRUCTION. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. The headings of sections of this Agreement are for convenience of reference only and shall not affect its meaning or construction. Whenever any word is used herein in one gender, it shall be construed to include the other gender, and any word used in the singular shall be construed to include the plural in any case in which it would apply and vice versa.

(i) PAYMENTS AND EXERCISE OF RIGHTS AFTER DEATH. Any amounts payable hereunder after the Executive's death shall be paid to the Executive's designated beneficiary or beneficiaries, whether received as a designated beneficiary or by will or the laws of descent and distribution. The Executive may designate a beneficiary or beneficiaries for all purposes of this Agreement, and may change at any time such designation, by notice to the Company making specific reference to this Agreement. If no designated beneficiary survives the Executive or the Executive fails to designate a beneficiary for purposes of this Agreement prior to his death, all amounts thereafter due hereunder shall be paid, as and when payable, to his spouse, if she survives the Executive, and otherwise to his estate.

(j) CONSULTATION WITH COUNSEL. The Executive acknowledges that he has had a full and complete opportunity to consult with counsel or other advisers of his own choosing concerning the terms, enforceability and implications of this Agreement, and that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability and implications of this Agreement other than as are reflected in this Agreement.

(k) WITHHOLDING. Any payments provided for in this Agreement shall be paid net of any applicable income tax withholding required under federal, state or local law.

(l) CONSUMER PRICE INDEX. For purposes of this Agreement, the terms "Consumer Price Index" or "CPI" refers to the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items for Urban Wage Earners and Clerical Workers (1982-1984=100). If the CPI is hereafter converted to a different standard reference base or otherwise revised, the determination of the CPI adjustment shall be made with the use of such conversion factor, formula or table for converting the CPI, as may be published by the Bureau of Labor Statistics, or, if the bureau shall no longer publish the same, then with the use of such conversion factor, formula or table as may be published by an agency of the United

States or failing such publication, by a nationally recognized publisher of similar statistical information.

(m) SURVIVAL. The provisions of Sections 8, 9, 10 11, 12, 13, 14 and 15 shall survive the termination of this Agreement.

[Signatures to appear on the following page]

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

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

EXECUTIVE:
/s/ Richard S. Hamner

Richard S. Hamner
Dated: As of September 10, 2003

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

Name: Edward K. Aldag, Jr.

Title: President & CEO

Dated: March 1, 2004

REIT:
MEDICAL PROPERTIES TRUST, INC.

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

Name: Edward K. Aldag, Jr.

Title: President & CEO

Dated: March 1, 2004

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, (the "Amended and Restated Agreement"), dated as of September 10, 2003 (the "Effective Date"), among Medical Properties Trust, Inc. (the "REIT"), MPT Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), (the REIT and the Operating Partnership being herein referred to collectively as the "Company"), and William G. McKenzie (the "Executive"):

WHEREAS, the REIT is a limited partner and, through its wholly owned limited liability company, Medical Properties Trust, LLC (the "LLC"), the sole general partner of the Operating Partnership:

WHEREAS, the Executive and the Company entered into an Employment Agreement dated as of September 10, 2003 (the "Original Agreement"); and

WHEREAS, the parties desire to supersede the Original Agreement and substitute in lieu thereof this Amended and Restated Employment Agreement.

NOW, THEREFORE, the Company and the Executive, in consideration of the respective covenants set out below, hereby agree to the provisions of this Amended and Restated Agreement as follows:

1. EMPLOYMENT.

(a) POSITIONS. The Executive shall be employed by the Operating Partnership as a part time employee and shall also serve as Vice-Chairman of the Board of Directors of the REIT (the "Board"), on a part-time basis as provided below.

(b) DUTIES. During the term of this Amended and Restated Agreement, the Executive shall perform such duties and tasks as the Company shall reasonably request from time to time, including, without limitation, (i) serving as the Vice-Chairman of the Board, (ii) assisting the Company with strategic planning, marketing, acquisition of healthcare properties and other managerial functions from time to time, (iii) speaking at seminars, lectures and other public and private engagements, and (iv) such other duties and tasks concerning the ownership and leasing of healthcare properties (collectively, the "Services") as the Chief Executive Officer and the Board shall from time to time reasonably assign to the Executive. The Executive shall be available to provide a minimum of Fifty (50) hours of services during each month during the Term (as herein defined).

2. TERM. This Amended and Restated Agreement shall be effective as of the Effective Date and shall continue in full force and effect thereafter for a term of three (3) years following the Effective Date and shall be automatically extended for an additional one (1) year period on each one (1) year anniversary of the Effective Date, including an anniversary that occurs within the initial three (3) year term (the last day of each such one (1) year period ending on an anniversary of the Effective Date is referred to herein as a "Term Date"), unless either party gives notice of non-renewal not later than sixty (60) days prior to a Term Date by providing written notice to the other

party of such party's intent not to renew (in which case the Amended and Restated Agreement shall not be so automatically extended for such additional one (1) year period and shall terminate at the conclusion of the remaining unextended Term), or it is sooner terminated pursuant to Section 7, but for purposes of all compensation and benefits payable pursuant to Sections 3 through 5 hereof the Term shall be deemed to commence as of August 1, 2003.

3. COMPENSATION.

(a) **BASE SALARY.** The Company shall pay the Executive a Base Salary that shall be payable in periodic installments according to the Company's normal payroll practices, but no less frequently than monthly. The initial Base Salary shall be \$175,000 per year. The Board or its compensation committee (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether and to what extent the Base Salary should be increased, effective January 1 of any year during the Term; provided, however, that on January 1, 2005, the Base Salary shall be not less than \$183,750 and on each January 1 thereafter during the Term, the Base Salary shall be increased at a minimum by a positive amount equal to the Base Salary in effect on January 1 of the prior year multiplied by the percentage increase in the Consumer Price Index for such year. The amount of the increase shall be determined before March 31 of each year and shall be retroactive to January 1 of such year. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Amended and Restated Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 3.

(b) **INCENTIVE AWARDS: ANNUAL INCENTIVE BONUS.** The Executive shall be entitled to receive an annual cash incentive bonus for each fiscal year during the Term of this Amendment and Restated Agreement consistent with such bonus policy as may be adopted by the Board or its Compensation Committee ("Bonus Policy") in an amount of not less than 40% of the Executive's Base Salary (the "Minimum Bonus") or more than 100% of the Executive's Base Salary unless in the opinion of the Compensation Committee, the Executive deserves a higher amount (the "Maximum Bonus"). If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Policy for a fiscal year, he shall receive an annual incentive bonus (the "Incentive Bonus"), consistent with the provisions relating to the Minimum Bonus and the Maximum Bonus, in an amount determined by the Compensation Committee and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Policy for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to the Executive for that year other than the Minimum Bonus, subject to ratification by the Board, if required. Beginning January 1, 2004, the Bonus Policy shall contain both individual and group goals.

4. **STOCK BASED AWARDS.** The REIT has established the 2004 Equity Incentive Plan ("Equity Incentive Plan") which provides for the grants of options to acquire shares of the Company's \$.001 par value common stock (the "Common Shares"), awards of restricted Common Shares and awards of stock appreciation rights and performance units. Effective upon the consummation of the private placement offering or initial public offering, whichever occurs first, the Company has reserved for issuance to the Company's executive officers and other employees two and six-tenths percent (2.6%) of the outstanding Common Shares on a fully-diluted basis for awards of restricted Common Shares ("Restricted Share Grants"). The Executive shall be eligible to

receive Restricted Share Grants as approved by the Compensation Committee, and if the Compensation Committee approves Restricted Share Grants to executives of the Company, then, as appropriate in the context, the Executive will receive Restricted Share Grants consistent with, and appropriate in respect of, his position as Executive. Restricted Share Grants awarded to the Executive shall be subject to vesting at the rate of 8.33% of the underlying Common Shares on the last day of each fiscal quarter thereafter until fully vested; provided, however, that the Executive will be 100% vested and all restrictions will lapse upon (i) a Change of Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), (iii) a termination by the Executive for Good Reason (as defined herein), (iv) his death, or (v) his becoming Permanently Disabled (as defined herein). The Executive will forfeit all unvested Restricted Share Grants if he is terminated for Cause or he terminates for other than Good Reason. The Common Shares issued as Restricted Share Grants will have voting and dividend rights, and, following the restriction period, shall be registered and fully transferable by the Executive.

5. EXPENSES AND INSURANCE.

(a) DIRECTORS AND OFFICERS INSURANCE. During the Term, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less favorable to him than the coverage provided to any other then current officers and directors.

(b) EXPENSES, OFFICE AND SECRETARIAL SUPPORT. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis no less favorable than that applicable to any other executive of the Company, including, without limitation, telephone, travel and entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Executive shall also be entitled to appropriate office space, administrative support, and such other facilities and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

6. CHANGE OF CONTROL.

(a) CHANGE OF CONTROL. For purposes of this Amended and Restated Agreement, a "Change of Control" will be deemed to have taken place upon the occurrence of any of the following events:

(i) any person, entity or affiliated group, excluding the REIT or any employee benefit plan of the REIT, acquiring more than 50% of the then outstanding voting shares of the REIT,

(ii) the consummation of any merger or consolidation of the REIT into another company, such that the holders of the voting shares of the REIT immediately prior to such merger or consolidation own less than 50% of the voting power of the securities of the surviving company or the parent of such surviving company, or

(iii) the complete liquidation of the REIT or the sale or disposition of all or substantially all of the REIT's assets, such that after the transaction, the holders of the voting shares

of the REIT immediately prior to the transaction own less than 50% of the voting securities of the acquiror or the parent of the acquiror.

(b) CERTAIN BENEFITS UPON A CHANGE OF CONTROL. In the event of a Change of Control, the Executive shall become 100% vested in the stock options and restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) and, if the Executive voluntarily terminates his employment without Good Reason after the Change of Control, then the Executive shall have whatever remaining period under the options following the Change of Control in which to exercise his vested stock options, including those stock options that vested upon the Change of Control. In addition, if the Executive's employment with the Company is terminated by the Company for Cause or by the Executive without Good Reason in connection with a Change of Control, the Executive shall receive (in addition to the applicable benefits described in Section 8 hereof) a lump sum payment equal to the largest cash compensation from the Company for any twelve (12) period during the Executive's tenure with the Company, multiplied by three (3).

(c) EXCISE TAX.

(i) In the event that any payment or benefit received or to be received by the Executive in connection with a termination of the Executive's employment (whether pursuant to the terms of this Amended and Restated Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (all such payments and benefits being hereinafter called "Total Payments"), such that the Executive will be subject (in whole or in part) to the excise tax imposed under Code Section 4999 ("Excise Tax") on such payments and benefits, then the Company shall pay to the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive, after deduction of the Excise Tax and any federal, state and local tax on the Gross-Up Payment, will be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on such date, net of the maximum deduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(ii) The Executive or the Company may request, prior to the time any payments under this Amended and Restated Agreement are made, a determination of whether any or all of the Total Payments will be subject to the Excise Tax and, if so, the amount of such Excise Tax and the federal, state and local tax imposed on the Gross-Up Payment. If such a determination is requested, it shall be made promptly, at the Company's expense, by tax counsel selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), and such determination shall be conclusive and binding on both parties. The Company agrees to provide any information reasonably requested by such tax counsel. Tax counsel may engage accountants or other experts, at the Company's expense, to the extent deemed necessary or advisable for them to reach a determination. For these purposes, the term "tax counsel" shall mean a law firm with expertise in federal income tax matters.

(iii) In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder, the Executive will repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income tax imposed on the Gross-Up Payment, without any interest thereon. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder, the Company will make an additional Gross-Up Payment in respect of such excess and in respect of any portion of the Excise Tax with respect to which the Company had not previously made a Gross-Up Payment (plus any interest, penalties or additions payable by the Executive with respect to such excess and such portion) at the time that the amount of such excess is finally determined, without any interest thereon.

(iv) Each party agrees to notify the other party, in writing, of any claim that, if successful, would require the payment by the Company of a Gross-Up Payment or might entitle the Company to a refund of all or part of any previous Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive or Company is informed in writing of such claim or otherwise becomes aware of such claim. If notice of the claim arose as a result of a claim made against the Executive by a taxing authority, Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which he gives notice to the Company. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (A) give the Company any information reasonably requested by the Company relating to such claim, (B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Executive and approved by the Company (with such approval not being unreasonably withheld), (C) cooperate with the Company in good faith in order to effectively contest such claim, and (D) permit the Company to reasonably participate in any proceedings relating to such claim. The Company shall bear and pay directly all costs and expenses (including legal fees and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(v) Notwithstanding the foregoing, the Company shall control all audits and proceedings taken in connection with any claim, audit or proceeding involving Excise Taxes or Gross-Up Payments and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of any such claim, audit or proceeding and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the tax in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such tax and sue for a refund, the Company shall advance the amount of such payment to the Executive, (including interest or penalties with respect thereto) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. The Company shall be required to consult with and keep the Executive fully apprised of developments and actions being

considered or taken with respect to such claim, audit or proceeding. The Company's control of the contest shall be limited to issues with respect to which such a Gross-Up Payment would be payable or refundable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue. Each party agrees to keep the other party fully apprised of developments concerning such claim, audit or proceeding and to cooperate with the other in good faith in order to effectively resolve such claim, audit or proceeding.

(vi) For purposes of this Subsection (c), a determination of whether a payment is subject to Excise Taxes, including but not limited to, a determination of Change in Control, shall be made pursuant to Code Section 280G.

7. TERMINATION. The employment of the Executive by the Company pursuant to this Amended and Restated Agreement shall terminate upon the occurrence of any of the following:

(a) DEATH OR PERMANENT DISABILITY. Immediately upon death or a determination of Permanent Disability of the Executive. As used in this Amended and Restated Agreement, "Permanent Disability" shall mean an inability due to a physical or mental impairment to perform the material services contemplated under this Amended and Restated Agreement for a period of six (6) months, whether or not consecutive, during any 365-day period. A determination of Permanent Disability shall be made by a physician satisfactory to both the Executive and the Company, provided that if the Executive and the Company do not agree on a physician, the Executive and the Company shall each select a physician and these two together shall select a third physician, whose determination as to Permanent Disability shall be binding on all parties. The appointment of one or more individuals to carry out the offices or duties of the Executive during a period of the Executive's inability to perform such duties and pending a determination of Permanent Disability shall not be considered a breach of this Amended and Restated Agreement by the Company.

(b) FOR CAUSE. At the election of the Company and subject to the provisions of this Section 7(b), immediately upon written notice by the Company to the Executive of his termination for Cause. For purposes of this Amended and Restated Agreement, "Cause" for termination shall be deemed to exist solely in the event of (i) the conviction of the Executive of, or the entry of a plea of guilty or nolo contendere by the Executive to, a felony (exclusive of any felony relating to negligent operation of a motor vehicle and also exclusive of a conviction, plea of guilty or nolo contendere arising solely under a statutory provision imposing criminal liability upon the Executive on a per se basis due to the Company offices held by the Executive, so long as any act or omission of the Executive with respect to such matter was not taken or omitted in contravention of any applicable policy or directive of the Board or Chief Executive Officer), (ii) a willful breach of his duty of loyalty which is materially detrimental to the Company, (iii) a willful failure to materially perform or materially adhere to explicitly stated duties that are consistent with the terms of this Amended and Restated Agreement, or the Company's reasonable and customary guidelines of employment or reasonable and customary corporate governance guidelines or policies, including, without limitation, any business code of ethics adopted by the Board, or to follow the lawful directives of the Board or the Chief Executive Officer (provided such directives are consistent with the terms of this Amended and Restated Agreement), which, in any such case, continues for thirty (30) days after written notice from the Board or the Chief Executive Officer to the Executive, or (iv) gross negligence or willful misconduct in the material performance of the Executive's duties. For

purposes of this Section 7(b), no act, or failure to act, on the Executive's part will be deemed "gross negligence" or "willful misconduct" unless done, or omitted to be done, by the Executive not in good faith and without a reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company.

(c) WITHOUT CAUSE; WITHOUT GOOD REASON. At the election of the Company, without Cause, and at the election of the Executive, without Good Reason, in either case upon thirty (30) days prior written notice to the Executive or the Company, as the case may be.

(d) FOR GOOD REASON. At the election of the Executive, for Good Reason. For purposes of this Amended and Restated Agreement, "Good Reason" shall mean any of the following actions or omissions, provided the Executive notifies the Company of his determination that Good Reason exists within sixty (60) days of the action or omission on which such determination is based:

(i) failure of this Amended and Restated Agreement to be automatically renewed, on at least comparable terms, as a result of the Company giving notice pursuant to Section 2,

(ii) the Company's failure to maintain a Bonus Policy in Section 3 hereof or to continue in effect the Equity Incentive Plan, unless comparable alternative compensation arrangements (embodied in ongoing substitute or alternative plans) have been provided to the reasonable satisfaction of the Executive,

(iii) a breach by the Company of any provision of this Amended and Restated Agreement that continues for a period of thirty (30) days after Executive provides written notice to the Company of such breach.

8. TERMINATION ON PERMANENT DISABILITY; BY THE COMPANY WITHOUT CAUSE; BY THE EXECUTIVE FOR GOOD REASON. If the employment of the Executive should terminate by reason of his becoming Permanently Disabled, a termination by the Company for any reason other than Cause, or by the Executive for Good Reason, then the Company shall pay all compensation and benefits for the Executive as follows:

(i) any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of the effective date of the termination of his employment that are related to the period of his employment preceding the effective date of the termination of his employment, including pay in lieu of accrued, but unused, vacation, and

(ii) the prorated amount of the Incentive Bonus for the year in which the termination of employment occurs, pro rated for the portion of such year during which the Executive was employed prior to the effective date of the termination of his employment, and

(iii) an amount equal to the product of (A) the sum of (1) the Executive's Base Salary as of the effective date of termination of his employment, and (2) the average cash bonus received by Executive for the past three (3) fiscal years preceding the effective date of termination (or such shorter period, if applicable), multiplied by (B) three (3).

The sum of the amount payable under subsections (ii) and (iii) hereof is referred to herein as his "Severance Payment".

(iv) The Severance Payment shall be made in a single, lump sum cash payment no later than thirty (30) days after the effective date of the termination of the Executive's employment.

(v) The Executive's stock options awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and he shall have whatever remaining period under the options following the effective date of his termination of employment in which to exercise his vested stock options, including those stock options that vested upon his termination of employment.

(vi) The Executive's restricted Common Shares awarded under the Equity Incentive Plan (or any other or successor plan) shall immediately become 100% vested and all restrictions shall lapse.

(b) TERMINATION ON DEATH. Upon a termination of employment due to the Executive's death, the Executive shall become 100% vested in his stock options and restricted Common Shares awarded under the Equity Incentive Plan. The Executive's personal representative shall have whatever remaining period under the options following the Executive's death in which to exercise his vested stock options, including those stock options that vested on death. The Company shall pay to the Executive's personal representative any Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his date of death and that are related to his period of employment preceding his date of death. Within sixty (60) days after the Executive's death, the Company shall pay to the Executive's personal representative the prorated amount of the Incentive Bonus for the year in which the Executive's death occurs, prorated for the portion of the year during which the Executive was employed prior to his death.

(c) BY THE COMPANY FOR CAUSE OR BY THE EXECUTIVE WITHOUT GOOD REASON. In the event that the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason, the Company shall pay the Executive his Base Salary, Incentive Bonus, expense reimbursements and all other compensation related payments that are payable as of his termination of employment date and that are related to his period of employment preceding his termination date. The Executive shall be entitled to exercise his vested stock options, determined as of his termination date, pursuant to the terms of the option grant.

(d) TERMINATION OF AUTHORITY. Immediately upon the Executive terminating or being terminated from his employment with the Company for any reason, notwithstanding anything else appearing in this Amended and Restated Agreement or otherwise, the Executive will stop serving the functions of his terminated or expired positions, and shall be without any of the authority or responsibility for such positions. On request of the Board at any time following his termination of employment for any reason, the Executive shall resign from the Board if then a member.

9. CONFIDENTIAL INFORMATION. The Executive recognizes and acknowledges that certain assets of the Company constitute Confidential Information. The term "Confidential Information" as used in this Amended and Restated Agreement shall mean all information which is known only to the Executive or the Company, other employees of the Company, or others in a confidential relationship with the Company, and relating to the Company's business including, without limitation, information regarding clients, customers, pricing policies, methods of operation, proprietary Company programs, sales products, profits, costs, markets, key personnel, formulae, product applications, technical processes, and trade secrets, as such information may exist from time to time, which the Executive acquired or obtained by virtue of work performed for the Company, or which the Executive may acquire or may have acquired knowledge of during the performance of said work. The Executive shall not, during the Term and for a period of three (3) years thereafter disclose all or any part of the Confidential Information to any person, firm, corporation, association, or any other entity for any reason or purpose whatsoever, directly or indirectly, except as may be required pursuant to his employment hereunder, or as otherwise required by law, unless and until such Confidential Information becomes publicly available other than as a consequence of the breach by the Executive of his confidentiality obligations hereunder by law or in any judicial or administrative proceeding (in which case, the Executive shall provide the Company with notice). In the event of the termination of his employment, whether voluntary or involuntary and whether by the Company or the Executive, the Executive shall deliver to the Company all documents and data pertaining to the Confidential Information and shall not retain any documents or data of any kind or any reproductions (in whole or in part) or extracts of any items relating to the Confidential Information. The Company acknowledges that prior to his employment with the Company, the Executive has lawfully acquired extensive knowledge of the industries and businesses in which the Company engages in business, and that the provisions of this Section 9 are not intended to restrict the Executive's use of such previously acquired knowledge.

In the event that the Executive receives a request or is required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the Confidential Information, the Executive agrees to (a) promptly notify the Company in writing of the existence, terms and circumstances surrounding such request or requirement, (b) consult with the Company on the advisability of taking legally available steps to resist or narrow such request or requirement, and (c) assist the Company in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that the Company waives compliance with the provisions hereof the Executive shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by the Executive not permitted by this Amended and Restated Agreement.

10. NON-COMPETITION AND NONSOLICITATION. During the Term and for a period of eighteen (18) calendar months after the termination of the Executive's employment (the "Non-Compete Period"), the Executive shall not, directly or indirectly, either as a principal, agent, independent contractor, employee, employer, stockholder, partner or in any other capacity whatsoever: (a) engage or assist others engaged, in whole or in part, in any business which is engaged in a business or enterprise involving the ownership, leasing or management of healthcare real estate (it being understood that the activity of operating a healthcare operating company which owns its own healthcare real estate is not so prohibited) or (b) without the prior consent of the Board, employ or solicit the employment of, or assist others in employing or soliciting the employment of, any individual employed by the Company (other than the Executive's personal

assistant or Executive's secretary) at any time while the Executive was employed by the Company; provided, however, that the provisions of this Section 10 shall not apply in the event the termination is by the Company without Cause or by the Executive for Good Reason.

Nothing in this Section 10 shall impede, restrict or otherwise interfere with Executive's management and operation of those companies and businesses he owned, operated or controlled at the date of this Amended and Restated Agreement that were not transferred to or purchased by the Company or the REIT, provided such activities do not materially detract from the Executive's performance of his duties hereunder. Further, nothing in this Section 10 shall prohibit Executive from making any passive investment in a public company, where he is the owner of five percent (5%) or less of the issued and outstanding voting securities of any entity, provided such ownership does not result in his being obligated or required to devote any managerial efforts.

The Executive agrees that the restraints imposed upon him pursuant to this Section 10 are necessary for the reasonable and proper protection of the Company and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. The parties further agree that, in the event that any provision of this Section 10 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

11. DISPUTES.

(a) **EQUITABLE RELIEF.** The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under Sections 9 or 10 hereof, the Company will have no adequate remedy at law, and accordingly will be entitled to specific performance and other appropriate injunctive and equitable relief.

(b) **LEGAL FEES.** The Company shall pay or promptly reimburse the Executive for the reasonable legal fees and expenses incurred by the Executive in successfully enforcing or defending any right of the Executive pursuant to this Amended and Restated Agreement even if the Executive does not prevail on each issue.

12. **INDEMNIFICATION.** The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive, including the cost of legal counsel selected and retained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive being or having been an officer, director, or employee of the Company.

13. **COOPERATION IN FUTURE MATTERS.** The Executive hereby agrees that for a period of eighteen (18) months following his termination of employment he shall cooperate with the Company's reasonable requests relating to matters that pertain to the Executive's employment by the Company, including, without limitation, providing information or limited consultation as to such matters, participating in legal proceedings, investigations or audits on behalf of the Company, or otherwise making himself reasonably available to the Company for other related purposes. Any such cooperation shall be performed at scheduled times taking into consideration the Executive's

other commitments, and the Executive shall be compensated at a reasonable hourly or per diem rate to be agreed upon by the parties to the extent such cooperation is required on more than an occasional and limited basis. The Executive shall not be required to perform such cooperation to the extent it conflicts with any requirements of exclusivity of services for another employer or otherwise, nor in any manner that in the good faith belief of the Executive would conflict with his rights under or ability to enforce this Amended and Restated Agreement.

14. GENERAL.

(a) NOTICES. All notices and other communications hereunder shall be in writing or by written telecommunication, and shall be deemed to have been duly given if delivered personally or if sent by overnight courier or by certified mail, return receipt requested, postage prepaid or sent by written telecommunication or telecopy, to the relevant address set forth below, or to such other address as the recipient of such notice or communication shall have specified in writing to the other party hereto, in accordance with this Section 14(a).

If to the Company, to:

1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242

If to Executive, at his last residence shown on the records of the Company.

Any such notice shall be effective (i) if delivered personally, when received, (ii) if sent by overnight courier, when receipted for, (iii) if mailed, five (5) days after being mailed, and (iv) on confirmed receipt if sent by written telecommunication or telecopy, provided a copy of such communication is sent by regular mail, as described above.

(b) SEVERABILITY. If any provision of this Amended and Restated Agreement is or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

(c) WAIVERS. No delay or omission by either party hereto in exercising any right, power or privilege hereunder shall impair such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

(d) COUNTERPARTS. This Amended and Restated Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In making proof of this Amended and Restated Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(e) ASSIGNS. This Amended and Restated Agreement shall be binding upon and inure to the benefit of the Company's successors and the Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees and legatees. This Amended and Restated Agreement shall not be assignable by the Executive, it being understood and agreed that this is a

contract for the Executive's personal services. This Amended and Restated Agreement shall not be assignable by the Company except that the Company shall assign it in connection with a transaction involving the succession by a third party to all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise). When assigned to a successor, the assignee shall assume this Amended and Restated Agreement and expressly agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it in the absence of such an assignment. For all purposes under this Amended and Restated Agreement, the term "Company" shall include any successor to the Company's business and/or assets that executes and delivers the assumption agreement described in the immediately preceding sentence or that becomes bound by this Amended and Restated Agreement by operation of law.

(f) ENTIRE AGREEMENT. This Amended and Restated Agreement contains the entire understanding of the parties, supersedes and terminates all prior agreements (including the Original Agreement) and understandings, whether written or oral, relating to the subject matter hereof and may not be amended except by a written instrument hereafter signed by the Executive and a duly authorized representative of the Company (other than the Executive).

(g) GOVERNING LAW. This Amended and Restated Agreement and the performance hereof shall be construed and governed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

(h) CONSTRUCTION. The language used in this Amended and Restated Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party. The headings of sections of this Amended and Restated Agreement are for convenience of reference only and shall not affect its meaning or construction. Whenever any word is used herein in one gender, it shall be construed to include the other gender, and any word used in the singular shall be construed to include the plural in any case in which it would apply and vice versa.

(i) PAYMENTS AND EXERCISE OF RIGHTS AFTER DEATH. Any amounts payable hereunder after the Executive's death shall be paid to the Executive's designated beneficiary or beneficiaries, whether received as a designated beneficiary or by will or the laws of descent and distribution. The Executive may designate a beneficiary or beneficiaries for all purposes of this Agreement, and may change at any time such designation, by notice to the Company making specific reference to this Amended and Restated Agreement. If no designated beneficiary survives the Executive or the Executive fails to designate a beneficiary for purposes of this Amended and Restated Agreement prior to his death, all amounts thereafter due hereunder shall be paid, as and when payable, to his spouse, if she survives the Executive, and otherwise to his estate.

(j) CONSULTATION WITH COUNSEL. The Executive acknowledges that he has had a full and complete opportunity to consult with counsel or other advisers of his own choosing concerning the terms, enforceability and implications of this Amended and Restated Agreement, and that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability and implications of this Amended and Restated Agreement other than as are reflected in this Agreement.

(k) WITHHOLDING. Any payments provided for in this Amended and Restated Agreement shall be paid net of any applicable income tax withholding required under federal, state or local law.

(l) CONSUMER PRICE INDEX. For purposes of this Amended and Restated Agreement, the terms "Consumer Price Index" or "CPI" refers to the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items for Urban Wage Earners and Clerical Workers (1982-1984=100). If the CPI is hereafter converted to a different standard reference base or otherwise revised, the determination of the CPI adjustment shall be made with the use of such conversion factor, formula or table for converting the CPI, as may be published by the Bureau of Labor Statistics, or, if the bureau shall no longer publish the same, then with the use of such conversion factor, formula or table as may be published by an agency of the United States, or failing such publication, by a nationally recognized publisher of similar statistical information.

(m) SURVIVAL. The provisions of Sections 6, 8, 9, 10, 11, 12 and 13 shall survive the termination of this Amended and Restated Agreement.

{Signatures to appear on the following page.}

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Amended and Restated Agreement to be duly executed as of the date first above written.

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

EXECUTIVE:
/s/ William G. McKenzie

William G. McKenzie
Dated: March 8, 2004

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

Name: Edward K. Aldag, Jr.

Title: President & CEO

Dated: March 8, 2004

REIT:
MEDICAL PROPERTIES TRUST, INC.

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

Name: Edward K. Aldag, Jr.

Title: President & CEO

Dated: March 8, 2004

LEASE AGREEMENT

MPT WEST HOUSTON MOB, L.P.,
a Delaware limited partnership

Lessor

AND

STEALTH, L.P.
a Delaware limited partnership

Lessee

WEST HOUSTON GP, L.P.
WEST HOUSTON JOINT VENTURES, INC.

Guarantors

Property: Medical Office Building
Houston, Harris County, Texas

June 17, 2004

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LEASE

THIS LEASE (this "Lease") is dated as of the 17th day of June, 2004, and is between MPT WEST HOUSTON MOB, L.P., a Delaware limited partnership ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and STEALTH, L.P., a Delaware limited partnership ("Lessee"), having its principal office at 908 Town & Country Blvd., Suite 120, Houston, Texas 77024.

W I T N E S S E T H:

WHEREAS, Lessee entered into that certain Ground Lease [MOB] dated as of the 29th day of April, 2004 (the "Ground Lease"), with Medistar Westside Houston Medical Center, Ltd. ("Ground Lessor") and Medistar Corporation, whereby the Ground Lessor leased to the Lessee its full undivided fee simple interest in that certain real property located in Houston, Harris County, Texas, which real property is more particularly described on EXHIBIT A attached hereto (the "Land");

WHEREAS, the parties to the Ground Lease executed a Memorandum of Lease which was recorded as Instrument #X707951 on June 21, 2004, in the Office of the Deed of Records of Harris County, Texas;

WHEREAS, simultaneously herewith, Lessee has assigned to the Lessor all of its rights, title and interest under the Ground Lease, including, without limitation, the purchase option as set forth in the Ground Lease; and

WHEREAS, the parties desire to enter into this Lease on the terms and conditions hereafter provided.

ARTICLE I

LEASED PROPERTY; TERM

The Lessor and the Lessee acknowledge and agree that this Lease is subject to all of the terms, conditions, provisions, limitations and obligations contained in the Ground Lease (including, without limitation, the rental obligations and the options to purchase) and Lessee accepts, assumes and agrees to perform and observe all of such terms, conditions, provisions, limitations and obligations contained therein and to be performed on the part of the Lessor as lessee therein, except as expressly modified and limited herein. In the event of termination of the Ground Lease, by lapse of time or for any other reason, prior to the cancellation or termination of this Lease, this Lease shall automatically terminate on the effective date of the termination of the Ground Lease, unless said termination shall have been caused by any act or omission of the Lessee, in which event Lessee shall remain liable to the Lessor in accordance with the terms hereof; therefore

Upon and subject to the terms and conditions set forth above and as hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the Land;

(b) the five story medical office building containing approximately 120,000 gross square feet (the "Building") to be constructed on the Land as provided in that certain Development Agreement dated as of April 29, 2004 (the "Development Agreement") by and among Medistar Corporation, a Texas corporation, and Stealth, L.P., which has been assigned to the Lessor simultaneously herewith, all Fixtures (as hereinafter defined) 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 (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on the date hereof (the "Commencement Date") and ending at midnight on the last day of the one hundred and twentieth (120th) month period following the Completion Date. Notwithstanding anything contained herein to the contrary, in the event the certificate of occupancy is not issued within sixty (60) days from the date of the completion of the construction of the Facility, Lessor shall have the option to terminate this Lease after prior written notice to the Lessee.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Lease (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under the Other Lease, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to

direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Assets: As defined in Section 2.1(a)(i) of the Purchase Agreement.

Award: As defined in Section 15.1.

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

Building: The medical office building to be constructed in accordance with the Development Agreement.

Business: The lease and operation of the Facility and the Hospital Facility and the engagement in and pursuit and conduct of any business ventures or activities related thereto.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 20.1(g).

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

Commencement Date: As defined in Article I.

Completion: The terms "complete construction" and "completion of construction" means the Project Architect (as defined in the Development Agreement) shall have certified to Lessor that, except for typical punch list items, the construction of the Facility has been completed in accordance with the plans and specifications as approved pursuant to the Development Agreement.

Completion Date: The date of issuance of a certificate of occupancy for the Building by the appropriate Governmental Authority. In the event the certificate of occupancy is not issued within thirty (30) days from the date of the completion of the construction of the Facility, Lessor shall have the option to terminate this Lease after prior

written notice to the Lessee; provided, however, in the event the certificate of occupancy is not issued within sixty (60) days from the date of the completion of the construction of the Facility, Lessor shall have the option to terminate this Lease after prior written notice to the Lessee.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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 Period: That period of time commencing on the date on which the first advancement of funds are disbursed under the Development Agreement and ending on the Completion Date.

Construction Period Rent: 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 Lessee, if any, with respect to the Leased Property, the Tenant Leases or the Tenants.

Date of Taking: As defined in Section 15.1.

Debt Service Payments: The periodic required payments made by Lessee to discharge its Total Indebtedness.

Declarations: The Declaration of Covenants, Restrictions and Reciprocal Easements [Hospital and MOB] and the Additional Declaration of Covenants and Restrictions [MOB] to be recorded pursuant to Section 39.15 hereof, substantially in the form attached hereto as Exhibit C.

Developer: Medistar Corporation, Inc., a Texas corporation.

Developer Letter Agreement: That certain Developer Letter Agreement dated April 28, 2004, between Lessee, Ground Lessor and Developer.

Development Agreement: That certain Development Agreement between Developer and Stealth, L.P., dated April 29, 2004, which has been assigned to the Lessor simultaneously herewith.

Direct Competitor of Lessee: Any entity or Affiliate (in which such entity owns 50% or more of the ownership interests in such Affiliate) then operating a medical office building facility within a five (5) mile radius of the Leased Property.

EBITDAR: Earnings before deduction of interest, taxes, depreciation, amortization and rent, and determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The medical office building facility and all improvements in connection therewith to be constructed on the Ground Leased Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Facility Year: The calendar year, with the first Facility Year being the Calendar Year commencing on January 1, 2007, and ending on December 31, 2007.

Fair Market Value: Unless otherwise expressly defined in this Lease, the Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIII or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall be without regard to the termination of this Lease and shall assume the Lease is in place for a term of ten (10) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Added Value: The Fair Market Value of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Quarter: Each consecutive three (3) month period during a Facility Year with the first Quarter being the first three (3) months of each Facility Year.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles, consistently applied.

Ground Lease: As defined in Article I.

Ground Lease Rent Payments: As defined in Article III.

Ground Leased Land: The land leased under the Ground Lease.

Ground Lessee: As defined in Article I.

Ground Lessor: Medistar Westside Houston Medical Center, Ltd., a Texas limited partnership.

Guarantors: Jointly and severally, whether one or more, West Houston GP, L.P. and West Houston Joint Ventures, Inc.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors to Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of each of Lessee's obligations under this Lease and any other of the obligations of Lessee, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Hospital Facility: The general acute care hospital facility and all improvements in connection therewith to be constructed on the Hospital Land.

Hospital Land: The adjacent real estate on which the Hospital Facility will be located.

Impositions: Collectively, all taxes (including, without limitation, all capital stock and franchise taxes of Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other

disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

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

Land: As defined in Article I.

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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations to Lessor of Lessee, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least \$50,000,000.

Lessee: Stealth, L.P., a Delaware limited partnership, and its successors and permitted assigns.

Lessee'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 Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses but excluding Lessee's accounts receivables and any items included within the definition of Fixtures.

Lessor: MPT West Houston MOB, L.P., a Delaware limited partnership, and its successors and assigns.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Material Adverse Effect: 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 Lease, could, individually or in the aggregate, reasonably be expected to have a material adverse effect on (i) Lessee'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 Lessee's ability to perform its obligations under, and/or consummate the transactions contemplated by, this Lease within the time periods specified herein.

MPT: Medical Properties Trust, Inc., and its operating partnership, MPT Operating Partnership, L.P.

Net Revenue: The net revenues of the Lessee as determined in accordance with GAAP for each Fiscal Quarter.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Lease: The Lease Agreement entered into between MPT West Houston Hospital, L.P. and Lessee whereby the Hospital Facility is leased to the Lessee.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent or any other sums payable under this Lease.

Permitted Exceptions: As defined in Article I.

Pledge Agreement: As defined in Section 16.8.

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 Formation and Contribution Agreement dated of even date herewith, among MPT Operating Partnership, L.P., Lessee, GP Medical Ventures, LLC and MPT West Houston Hospital, L.P., relating to the acquisition of the Leased Property and the leasing of such property by Lessor to Lessee.

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

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 20.1.

Substitute Properties: As defined in Section 20.1(a).

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant Improvements: The interior partitions, finishes and other tenant improvement work in and for each suite of space in the Building leased to a Tenant as required under the Tenant Leases.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Total Development Costs: The total development costs for the development of the Leased Improvements to be constructed on the Land as set forth in the Development Agreement (including, without limitation, the (i) costs and expenses to purchase the Land, (ii) rent payments due and payable under the Developer Letter Agreement and the Ground Lease, (iii) purchase option funds necessary to exercise the option to purchase the Land under the Ground Lease, (iv) all amounts advanced pursuant to the Development Agreement, (v) all Construction Period Rent due and payable during the Construction Period which shall be deferred, capitalized and adjusted as set forth in Section 3.1(a) below, and (vi) all other costs agreed by the parties to be included in Total Development Costs).

Total Indebtedness: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities as shown on the liability side of a balance sheet, including any such indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, but excluding any nonrecourse indebtedness and excluding any current liabilities.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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 III

RENT

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

(a) CONSTRUCTION PERIOD RENT: The rent to be paid by Lessee to Lessor with respect to the Construction Period (the "Construction Period Rent") shall be an amount equal to 9.65% per annum of the Total Development Costs accruing prior to the Completion Date (calculated without regard to Construction Period Rent). The Construction Period Rent will be deferred and added to Total Development Costs accruing prior to the Completion Date in determining Base Rent as of the Completion Date. The Construction Period Rent amount will be amortized and paid beginning with the Completion Date in equal monthly installments simultaneously with the monthly payments of Base Rent. As the amortized Construction Period Rent is paid, the Total Development Costs and Base Rent will be adjusted and reduced proportionately. The Construction Period Rent shall be paid by Lessee to Lessor on the first (1st) day of each month without notice, demand, set off or counterclaim.

(b) BASE RENT: Subject to annual adjustments as expressly set forth herein, base rent ("Base Rent") to be paid by Lessee to Lessor following the Construction Period shall be equal to 9.65% per annum of the Total Development Costs (including the deferred Construction Period Rent as provided in Section 3.1(a) above), and shall be payable in advance in equal, consecutive monthly installments. Base Rent shall be payable 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), subject to adjustment as provided in Sections 10.3(b)(iv), and 20.1 below; and

(c) ADJUSTMENT OF BASE RENT: Notwithstanding anything contained herein to the contrary, commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two percent (2%) per annum.

(d) SCHEDULE OF TOTAL DEVELOPMENT COSTS AND RENT ADJUSTMENTS: At the end of the Construction Period, the Lessor shall, in its reasonable discretion, calculate the Total Development Costs, Construction Period Rent and Base Rent to be paid hereunder (the "Schedule"), and provide a copy of such Schedule to the Lessee, which Schedule will become a part of this Lease and incorporated herein by reference, but shall be substituted, amended and adjusted by Lessor from time to time in its reasonable discretion as the Total Development Costs, rent payments and rent adjustments are calculated during the Term as provided herein, and when delivered to the Lessee 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) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent. If any installment of Base Rent,

Construction Period Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, Construction Period Rent and the payments of Additional Charges throughout the Term, all as more fully set forth in Article IV, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by the Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Intentionally omitted.

3.5 LEASE CONFIRMATION LETTER. Upon the completion of the construction of the Facility and the determination of the final Total Development Costs, Lessor and Lessee shall execute and deliver to each other a letter confirming the Completion Date and the final Total Development Costs.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the

reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Except as may be otherwise specified in this Lease, Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated 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 GROUND LEASED LAND AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Lessor has a ground leasehold interest in the Ground Leased Land pursuant to the Ground Lease, all as described above, and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease,

subject to the terms, conditions and provisions of the Ground Lease. Lessee acknowledges and agrees that the Lessor has the option to purchase the Ground Leased Land pursuant to the Ground Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within thirty (30) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and satisfactory for its purpose hereunder and under the Development Agreement. Lessee is leasing the Leased Property "as is" in its present condition and as shall be improved pursuant to the Development Agreement. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure requirements and Medicare and/or a Medicaid certification, provider numbers, certificates of need (if any), governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a medical office building.

(b) After the Commencement Date and during the entire Term, after the completion of the construction of the Leased Improvements, Lessee shall use or cause to be used the Leased Property and the improvements thereon as a medical office building and for such other uses as may be necessary in connection with or incidental to such use and as may be permitted in a declaration of covenants, restrictions and easements relating to a medical office building which may be prepared and recorded against the Land (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which Lessee agrees may be withheld in Lessor'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 Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold

in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only as a provider of healthcare services in accordance with its Primary Intended Use and to maintain its certifications for reimbursement and licensure and its accreditation, if compliance with accreditation standards is required to maintain the operations of the Facility and if a failure to comply would adversely affect operations of the Facility.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor, which approval shall not be unreasonably withheld or delayed (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have

tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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. Except as generated in the normal course of business regarding the Primary Intended Use and in compliance with Hazardous Materials Laws, no Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Materials Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Materials Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Materials Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Materials Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Materials Laws, or requiring compliance with any Hazardous Materials Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Materials Laws.

8.4 HEALTHCARE REGULATORY MATTERS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in material compliance with all rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 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 ("Healthcare Fraud Laws") affecting Stealth and the Leased Premises.

In the event Lessee is in breach of the foregoing representations and warranties and such breach has or would have, in Lessor's reasonable and good faith determination, a Material Adverse Effect and Lessee does not immediately cure such breach to the reasonable satisfaction of Lessor, Lessee shall be in default under this Lease. In the event such breach is of a type which does not or would not have a Material Adverse Effect, as reasonably and in good faith determined by Lessor, and cannot reasonably be cured within ninety (90) days from the date of Lessor's notice to Lessee of its reasonable determination in good faith that such breach does not or would not have a Material Adverse Effect, Lessee shall have a reasonable time thereafter to cure such breach (not to exceed one hundred twenty (120) days) so long as Lessee has commenced such cure within such ninety (90) days and is diligently prosecuting such cure to completion.

Lessee agrees to promptly notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Fraud Laws violation.

Lessee further hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach by Lessee of any of the above representations and warranties.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Ten Thousand and 00/100 Dollars (\$10,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

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

(e) Commencing on January 1, 2005, Lessee shall make monthly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing. Such account shall require the signature of an officer of the Lessee and the Lessor to make withdrawals. The first monthly deposit on January 1, 2005, and each deposit to be made monthly thereafter through and including December 1, 2005, shall be equal to the sum of Three Thousand and 00/100 Dollars (\$3,000.00) per annum. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by the Lessee with the Lessor's approval, which such approval will not be unreasonably withheld, or by the Lessor with the Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. The parties hereto agree that the Lessor shall have a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee agree that the first dollars of all capital expenditures made in each year during the Term of this Lease shall be funded from the Capital Improvement Reserve account to the full extent of such account; provided, however, if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) After the completion of the construction of the Leased Improvements under the Development Agreement, if no Event of Default shall have occurred or be continuing under this Lease or the Other Lease, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVIII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition and shall provide to Lessor such plans and specifications, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) By Lessor assigning to Lessee under appropriate written instruments the right to receive an amount equal to the Added Value Additional (determined as of the expiration or earlier termination of this Lease) of all rent and other consideration receivable by Lessor under any re-letting or other disposition of the Leased Property, after deducting all costs and expenses incurred by Lessor in connection with such re-letting or other disposition of the Leased Property and all costs and expenses of operating and maintaining the Leased Property during any such new lease which are not borne by the Tenant thereunder, with the provisions of this Section 10.2 to remain in effect until the sale or other final disposition of the Leased Property; or

(iv) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's interest in the Land and to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Section 9.1(a), Lessee 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 purposes and to permit the Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (g) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of the Lessee'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 Leased Property during the Term without the prior written consent of the Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars

(\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. Subject to Section 13.2 below, during the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed necessary by the Lessor and as described below. This insurance shall be written by insurance companies (i) acceptable to the Lessor, (ii) that are rated at least an "A-X" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. The aggregate amount of covered by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor, (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In addition, the policies shall name as an additional insured 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 Article XXXVII ("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 Lessor and each affected Facility Mortgagee. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee's Personal Property, shall insure against the following risks:

13.2 INSURANCE RISK COVERAGES. Lessee will use its best efforts to obtain, within thirty (30) days from the Commencement Date, policies of insurance on the Leased Property, including the Leased Improvements, the Fixtures and Lessee's Personal Property, insuring against the risks set forth in this Section 13.2. In the event Lessee is unable to obtain insurance risk coverages as required under this Article 13.2, Lessee will use its best efforts to obtain within thirty (30) days from the Commencement Date, insurance with risk coverages as close to the requirements set forth herein as commercially reasonable.

(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 Lessee 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, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor 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 the Lessor, which consent shall not be unreasonably withheld or delayed by the Lessor.

(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 subparagraph 13.1(a) above, or under a separate policy.

(d) Worker's compensation insurance covering all employees in amounts that are customary for the Lessee'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 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 (SCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

(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 Lessee or other employee or agent of the Lessee providing services at the Leased Property 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 Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay the fee, if any, of the impartial appraiser.

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

13.4 WAIVER OF SUBROGATION. All insurance policies carried by either party covering the Leased Property, the Fixtures, the Facility and/or Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the commencement of the construction of the Facility and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give

to Lessor thirty (30) days' written notice 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 the Lessor. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by the Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXII hereof.

13.6 INCREASE IN LIMITS. In the event that Lessor 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 Section. 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 Section, Lessee'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 Lessee provided that

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

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts acceptable to Lessor.

13.8 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such

insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XX. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XX below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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, Lessee may either (i) offer pursuant to Article XX to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XX and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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, whether or not such damage or destruction renders the Facility Unsuited for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XX. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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. Intentionally Omitted.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuitable for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuitable for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XX. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

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

15.6 AWARD DISTRIBUTION. In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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) a default or event of default shall occur under the Other Lease that is not cured within the applicable cure period as provided therein, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of written notice thereof from Lessor, provided, however, in no event shall Lessor be required to give more than one (1) written notice per calendar year, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of written notice thereof from Lessor, (provided, however, in no event shall Lessor be required to give more than two (2) written notices per calendar year for a non-monetary default), unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of written notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, which is not cured within the cure period as provided therein, or

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

(k) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, which is not cured within the cure period as provided therein.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

under this Lease, and Lessee further agrees that Lessor shall not be liable for any damages resulting to the Lessee from such action.

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii). Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS. (a) The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for in Section 16.2(c):

(i) With respect to the Facility Year commencing January 1, 2007, if for any Fiscal Quarter in such Facility Year, the following tests (determined, except as otherwise provided, on an annualized basis with respect to items (a) and (b) below), occurs, it being understood that, except as otherwise provided, at

the end of the first Fiscal Quarter, the first Fiscal Quarter data shall be annualized, at the end of the second Fiscal Quarter, the first two Fiscal Quarters' data shall be annualized, at the end of the third Fiscal Quarter, the first three Fiscal Quarters' data shall be annualized and at the end of the fourth Fiscal Quarter, all four Fiscal Quarters' data shall be taken into account:

(a) If the sum of (A) Lessee's total required Debt Service Payments and (B) Lessee's total Base Rent generates a coverage ratio to the Lessee's EBITDAR of less than one hundred twenty-five percent (125%), or

(b) Lessee generates a total Base Rent coverage from EBITDAR of less than one hundred thirty-five percent (135%).

(ii) Lessee experiences four (4) consecutive Fiscal Quarters with declines in Net Revenue (it being understood that the first Fiscal Quarter in which a decline is tested is the second Fiscal Quarter in the Facility Year commencing January 1, 2007 and such second Fiscal Quarter is compared to the first Fiscal Quarter in 2007 and so on) and in each such Fiscal Quarter, Lessee is also in violation of (a)(i)(a) (determined by substituting one hundred fifty percent (150%) for one hundred twenty-five percent (125%)).

(iii) With respect to the Facility Year commencing January 1, 2008, if for any Fiscal Quarter in such Facility Year, the following tests (determined, except as otherwise provided, on an annualized basis with respect to items (a) and (b) below), occurs, it being understood that, except as otherwise provided, at the end of the first Fiscal Quarter, the first Fiscal Quarter data shall be annualized, at the end of the second Fiscal Quarter, the first two Fiscal Quarters' data shall be annualized, at the end of the third Fiscal Quarter, the first three Fiscal Quarters' data shall be annualized and at the end of the fourth Fiscal Quarter, all four Fiscal Quarters' data shall be taken into account:

(a) If the sum of (A) Lessee's total required Debt Service Payments and (B) Lessee's total Base Rent generates a coverage ratio to the Lessee's EBITDAR of less than one hundred fifty percent (150%), or

(b) Lessee generates a total Base Rent coverage from EBITDAR of less than one hundred seventy-five percent (175%).

(iv) With respect to each Fiscal Quarter in each Facility Year beginning with the Facility Year commencing January 1, 2009:

(a) If the sum of (A) Lessee's total required Debt Service Payments and (B) Lessee's total Base Rent generates a coverage ratio to the Lessee's EBITDAR (determined on a twelve (12) months' trailing basis) of less than one hundred fifty percent (150%), or

(b) Lessee generates a total Base Rent coverage from EBITDAR (determined on a twelve (12) months' trailing basis) of less than one hundred seventy-five percent (175%).

(b) With respect to each Fiscal Quarter during each Facility Year commencing with the Facility Year beginning January 1, 2007, if one of the following occurs, such failure shall constitute a material default and breach of this Section 16.2 and Lessor shall have the rights and remedies provided for in Section 16.2(c):

(i) If Lessee experiences six (6) consecutive Fiscal Quarters of falling Net Revenue (it being understood that the first Fiscal Quarter in which a decline is tested is the second Fiscal Quarter in the Facility Year commencing January 1, 2007, and such second Fiscal Quarter is compared to the first Fiscal Quarter in 2007 and so

on) and in each Fiscal Quarter Lessee would be in violation of (a)(i)(a) (substituting one hundred fifty percent (150%) for one hundred twenty-five percent (125%); or

(ii) If any of the Guarantors cause or fail to prevent a payment default on any of their 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 the applicable cure periods provided for.

(c) Upon the occurrence of any of the items in this Section 16.2, Lessor shall have the right to pursue the remedies set forth in Section 16.1 hereof, shall be entitled to exercise all other remedies available in equity or at law and, in addition, upon the occurrence of any of the items in this Section 16.2 for two (2) consecutive Fiscal Quarters, may require Lessee to cancel any or all of the Management Agreement(s) and to replace the Management Company(ies) with a company(ies) of Lessor's choosing; provided, however, such replacement Management Company chosen by Lessor shall not be a party related to or an affiliate of Lessor, Medical Properties Trust, Inc., MPT Operating Partnership, L.P., or any officer or director of any of the foregoing entities and shall have experience managing a hospital. Upon the occurrence of any one or more of the items set forth in items (b), (i) through (ii) of this Section 16.2, Lessor shall have the right, in addition to all other remedies hereunder and available in equity or at law, to foreclose on the partnership interests of Lessee as set forth in the Pledge Agreement, and proceed with any other remedy the Lessor deems appropriate, including, but not limited to, selling Lessee's partnership interests to a third party.

For purposes of determining whether there is a default under 16.2, the manager(s) under the Management Agreement(s) may elect to defer the payment(s) of all or some of its(their) management fees until such fees can be paid without causing a default hereunder; and, for purposes of determining EBITDAR, any such deferred management fees will not be deducted until paid, and will not be treated as Total Indebtedness. Any management fee(s) not payable prior to the termination of the Management Agreement(s) will be forgiven.

(d) Notwithstanding anything contained herein to the contrary, in the event Lessee is in violation or default under the healthcare provisions as set forth in Section 8.4 of this Lease, or in the financial covenants provisions as set forth in Section 16.2 of this Lease, Lessee may cure such default by purchasing the Leased Property at a price calculated by using the formula provided in Section 34.3 of this Lease. In the event the Lessee elects to so cure such default, it shall provide notice to the Lessor within five (5) days following notice of such default. The purchase of the Leased Property shall be closed in accordance with Article XVIII hereof and within sixty (60) days from the date of the notice of such election.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1. above, Lessee shall compensate Lessor for (i) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (ii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iii) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (iv) Lessor's reasonable attorneys' fees and expenses, (v) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse reaction by mortgagees), and (vi) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 WAIVER. If this Lease is terminated pursuant to Section 16.1 or 16.2, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.5 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be

applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.6 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.7 LESSOR'S CONTRACTUAL SECURITY INTEREST. Subject to any contract lien and security interest of Lessee's Primary Lender (as defined herein), to secure the payment of all rent due and to become due hereunder and the faithful performance of this Lease by Lessee and to secure all other indebtedness and liabilities of Lessee to Lessor now existing or hereafter incurred, Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord's lien. This lien and security interest are given in addition to any Lessor's statutory landlord lien and shall be cumulative thereto. Except as limited in favor of the Primary Lender as set forth above in this Section 16.7, Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute (if required by law) and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

As used herein, the term "Primary Lender" means the lender providing financing for Lessee to purchase the personal property as described in this Section 16.7. In the event Lessee obtains financing from a Primary Lender, Lessee shall use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on Lessee's Personal Property in favor of Lessor, in form and content reasonably acceptable to the Primary Lender and Lessor. Lessee covenants and agrees not to place or allow any other liens to be placed on the Lessee's Personal Property.

16.8 PLEDGE OF PARTNERSHIP INTEREST. Lessee has pledged, pursuant to a Pledge Agreement of even date herewith from Lessee in favor of Lessor (the "Pledge Agreement"), all of Lessee's partnership interest in Lessor as additional security for Lessee's payment and performance of its obligations under this Lease. The Pledge Agreement provides that Lessor will have, in addition to any other remedy that Lessor may have as a result of Lessee's default under the Lease, the right to foreclose upon Lessee's partnership interest upon the occurrence of a default of Lessee's obligations under this Lease that is not cured within any applicable cure period.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXIV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without

limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

SUBSTITUTION OF PROPERTY

20.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY.

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuited for Its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XX, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably apprised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon written notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XX.

(c) If Lessee gives the notice referred to in Section 20.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to

Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 20.2 and Section 20.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XX, including without limitation the provisions of Sections 21.0(d), (e) and (f) below, the matter shall be submitted to arbitration in accordance with Article XXXVI and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon written notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 20.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to the Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties described in EXHIBIT A hereto or any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference,

subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

20.2 CONDITIONS TO SUBSTITUTION. On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with special warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 20.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

(h) such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

20.3 CONVEYANCE TO LESSEE. On the Substitution Date or the date specified in the notice given pursuant to Section 20.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 20.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

20.4 EXPENSES. Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, (h) title insurance charges, and (i) escrow fees.

ARTICLE XXI

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF 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 LESSEE OF THE LEASED PROPERTY, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (E) THE NON-PERFORMANCE OF ANY OF THE TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS SECTION SHALL BE PAID WITHIN TEN (10) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION, OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSOR AND LESSEE SEE FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENCE OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION AND THE EXPIRATION OF THIS LEASE.

ARTICLE XXIII

SUBLETTING AND ASSIGNMENT

23.1 SUBLETTING AND ASSIGNMENT. Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the building to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld. Lessee agrees to execute (or require the tenants to execute, if applicable) a subordination agreement relating to Management Agreements entered into in connection to the Leased Property, which subordination agreement shall be in such form and content as reasonably acceptable to the Lessor. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIII, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the

covenants and conditions to be performed by Lessee hereunder. Notwithstanding anything contained herein to the contrary, Lessor and Lessee 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, including, without limitation, all Stark and Anti-Kickback rules and regulations as described in Section 8.4 hereof and Lessor 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, and (iv) must not violate the use restrictions as set forth in Section 7.2 of this Lease. If conditions (i) through (iii) are not met, then Lessor's disapproval of any subleases not containing such terms and conditions shall be deemed reasonable.

Lessor and Lessee acknowledge that the Lessee has obtained fully executed binding letters of intent ("Tenant Letters of Intent") with certain physicians relating to the sublease of space in the Leased Property, which are specifically enumerated on EXHIBIT D attached hereto and made a part hereof by reference and incorporation. Lessor hereby approves the terms and conditions of the Tenant Letters of Intent, subject to applicable healthcare regulatory requirements; provided, however, Lessor retains the right to approve the lease/sublease to be prepared in connection with such Tenant Letters of Intent. Lessor agrees that, so long as the Lessee is not in default under the terms of this Lease, rents collected by the Lessee in connection with the Tenant Letters of Intent, above the Base Rent paid by the Lessee in connection with this Lease, shall be retained by the Lessee.

23.2 ATTORNMEN. Lessee shall insert in each sublease permitted under Section 23.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

23.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor.

23.4 SUBLEASE TENANT IMPROVEMENTS. Lessor and Lessee acknowledge that the Tenant Leases may require certain Tenant Improvements or allowances for Tenant Improvements in accordance with the Tenant Leases. Subject to the Lessor's rights with respect to the review, consent and approval of the Tenant Leases as provided in Article XXXIII, in the event the Tenant Leases require Tenant Improvements to be constructed (the "Tenant Improvement Allowance"), then, as applicable, from time to time during the Construction Period, the Lessor or Lessee may enter into certain contracts for the construction of the Tenant Improvements, or the Developer may be required to make such Tenant Improvements under the Development Agreement. Notwithstanding anything contained herein or in the Tenant Leases to the contrary, in no event shall Lessor be responsible for the construction of any Tenant Improvements, or to pay a Tenant Improvement Allowance which exceeds, in the aggregate, the amount of Tenant Improvement Allowance as set forth in the Final Approved Budget as described in the Development Agreement. In the event the cost of the Tenant Improvements or the Tenant Improvement Allowance

exceeds such budgeted amount, the Lessee, or the Tenant (as provided under the applicable Tenant Lease) shall pay the cost (or reimburse the Lessor) for any excess thereof.

ARTICLE XXIV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(c) (i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors and the operations performed in the Facility, by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, Guarantors and the operations performed in the Facility certified to be true and correct in all material respects by an officer of Lessee or the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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.

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXV

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Three Thousand Seven Hundred Fifty and 00/100 Dollars (\$3,750.00) to cover the cost of the physical inspections of the Leased Property. Then, commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee shall increase at the rate of one and one-quarter percent (1.25%) per annum.

ARTICLE XXVI

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVIII

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXIX

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 XXX

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXI

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Lease, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

ARTICLE XXXII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized delivery service or (d) sent by facsimile transmission and addressed as follows:

- (a) if to Lessee: Stealth, L.P.
c/o GP Medical Ventures, LLC
908 Town & Country Blvd., Suite 120
Houston, Texas 77024
Attention: Mr. Thomas A Gallagher
Phone: (615) 665-1223
Fax: (615) 665-1227
- with a copy to: Stealth, L.P.
c/o GP Medical Ventures, LLC
908 Town & Country Blvd., Suite 120
Houston, Texas 77024
Attention: Thomas L Pritchett
Phone: (713) 984-7503
- and to: Barrett B. Sutton, Jr., Esq.
Waller, Lansden, Dortch & Davis
Nashville City Center
511 Union Street, Suite 2100
Nashville, Tennessee 37219-8966
Phone: (615) 850-8717
Fax: (615) 244-6804
- (b) if to Lessor: MPT West Houston MOB, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Phone: (205) 969-3755
Fax: (205) 969-3756
- with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Phone: (205) 328-0480
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIII

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two (2) appraisers shall have twenty (20) days to appoint a third appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two (2) determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXIV

PURCHASE RIGHTS

34.1 LESSEE'S OPTION TO PURCHASE AT THE EXPIRATION OF THE LEASE TERM. So long as Lessee is not in default under the terms of this Lease, the Other Lease, and the Tenant Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within ninety (90) days from the date of the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Total Development Costs (including any Capital Additions funded by the Lessor, but excluding any Capital Additions

funded by the Lessee), increased at two and one-half percent (2.50%) per year, or (ii) the Fair Market Value of the Leased Property. If the Fair Market Value is greater than (i) above, and the conditions set out in Paragraph 34.5 below have been met, then Lessee shall be entitled to a credit in the amount set out in Paragraph 34.5 below. Unless expressly otherwise provided in this Section 34.1, in the event the Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) the deed conveying the property to Lessee shall be subject only to the Permitted Exceptions and the Declarations, and (iii) the sale/purchase must be closed within sixty (60) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase. If Lessee does not exercise Lessee's option to purchase within said ninety (90) day period after receipt of said notice from Lessor, Lessor shall be free after the expiration of said ninety (90) day period to sell the Leased Property to any party.

34.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

34.3 LESSEE'S OPTION TO PURCHASE DURING THE LEASE TERM. So long as Lessee is not in default under the terms of this Lease, the Other Lease and the Tenant Leases, Lessee and its successors will have the right, after the first full twelve (12) month period after the Completion Date, to purchase the Leased Property at any time during the Term of this Lease at a price equal to the greater of (i) a formula which generates an internal return to Lessor of at least eighteen percent (18%) (net of outstanding indebtedness on the Leased Property), determined by calculating the amount of cash contributed by Lessor and the amount of distributions received by Lessor (other than distributions to pay income taxes), or (ii) the Fair Market Value of the Leased Property. Unless otherwise provided in this Section 34.3, in the event Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) the deed conveying the property to Lessee shall be subject only to the Permitted Exceptions and the Declarations, and (iii) the sale/purchase must be closed within sixty (60) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase.

34.4 LESSEE'S RIGHT OF FIRST OFFER. So long as Lessee is not in default under the terms of this Lease, the Other Lease and the Tenant Leases, during the Term of this Lease, Lessee shall have a right of first offer to purchase the Leased Property in the event Lessor decides to sell the Leased Property to a third party. Lessor shall give Lessee notice of its intent to sell the Leased Property. Lessee shall notify Lessor in writing no later than the fifteen (15) days after the date of such notice from Lessor of its intention to purchase the Leased Property and such notice shall specifically set forth the terms and conditions of such proposed purchase. If Lessee makes an offer acceptable to Lessor, Lessee must close such purchase within forty-five (45) days of Lessor's acceptance of Lessee's offer or the Lessee's rights under this Section 34.4 shall be null and void. In the event the Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, and (ii) the deed conveying the property to Lessee shall be subject only to the Permitted Exceptions and the Declarations.

34.5 LESSEE'S FEE ON REFINANCING. Should the Lessee cause an investment grade credit rated guarantor to guarantee this Lease and Lessor sells the Leased Property at a cap rate below 9.65%, Lessor will pay to the Developer as funds are received by Lessor twenty-five percent (25%) of the additional sales proceeds generated from the sale at the lower cap rate versus what a sale would have generated using a 9.65% cap rate for the Leased Property. A discount in the same amount will be credited to Lessee herein should Lessee exercise any right to purchase the Leased Property as provided herein.

34.6 SURVIVAL. Lessee's purchase rights under this Article 34 or elsewhere in this Lease shall survive the sale or conveyance of the Facility and shall run with this Lease in favor of Lessee's successors and assigns.

ARTICLE XXXV

DEFAULT BY LESSOR

35.1 DEFAULT BY LESSOR. Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

35.2 DEFAULT BY LESSOR UNDER DEVELOPMENT AGREEMENT. In the event Lessor defaults under the terms of the Development Agreement, then in such event Lessee shall provide written notice of such default to Lessor. Upon the expiration of ninety (90) days following the giving of such notice, if Lessor (i) has failed to cure such default or (ii) in the case of a default (other than the payment of money) which by its nature cannot be completely cured within such ninety (90) day period, Lessor does not within such period commence to cure the default, and diligently pursue and complete the cure in a reasonable period of time, then in either such event, Lessee may cure such default and perform the obligations of Lessor which have not been fully performed. Lessor shall immediately upon demand reimburse Lessee for all reasonable out-of-pocket costs and expenses incurred by Lessee in connection with the foregoing cure. The aforesaid ninety (90) day period of time permitted for Lessor to cure its default shall be extended if the default cannot be cured within the time period allowed herein, so long as Lessor is diligently attempting to cure. Such cure period shall also be extended for a reasonable period of time during which Lessor is delayed in, or prevented from, curing due to fire or other casualty, acts of God, strikes, lockouts, power shortages or outages, enactment, adoption, or promulgation of new laws, or the application or enforcement of laws.

35.3 LESSEE'S RIGHT TO CURE. Subject to the provisions of Section 35.1 and 35.2, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 35.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 35.3 shall survive the termination of this Lease.

ARTICLE XXXVI

ARBITRATION

Intentionally Omitted.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor and Lessor's successor and assigns, further agree that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver, and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, subject to the provisions of Section 39.16 hereof, 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease, the Other Lease, or the applicable subleases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein or therein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor'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.

Subject to the provisions of Section 39.16 hereof, Lessor will obtain from the holder of any mortgage or deed of trust existing as of the date of this Lease that encumbers the Leased Property to execute and deliver to

Lessee a non-disturbance agreement confirming the provisions of subparagraphs (a) through (c) of this Article XXXVIII.

ARTICLE XXXIX

MISCELLANEOUS

39.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

39.2 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, and except as prohibited by law, Lessee shall transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

39.3 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

39.4 ENTIRE AGREEMENT; MODIFICATIONS. This Lease embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior to contemporaneous agreements, understandings, representations and statements (oral or written) are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

39.5 GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

39.6 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly as set out in the Purchase Agreement; provided, however,

such purchaser shall be subject to the same restrictions imposed upon Lessor hereunder and Lessee's rights to purchase the Leased Property as described in Article 34 or elsewhere in this Lease shall survive any such transfer. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property, nor shall Lessor transfer any partnership interest in itself or any interest in its general partnership, to a Direct Competitor of Lessee, without the consent of the Lessee, which consent shall not be unreasonably withheld, conditioned or delayed.

39.7 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase upon terms mutually agreeable to Lessor and Lessee.

39.8 REFINANCING OF FACILITY. In the event Lessor refinances the Facility in an amount greater than the amount of any original financing of the Facility, and Lessee causes an investment grade credit rated guarantor to guarantee this Lease in connection with such refinancing, as provided in Section 34.5 hereof, then Lessee shall be entitled to receive a credit enhancement fee equal to one percent (1%) of the amount of such refinancing.

39.9 SUBORDINATION OF LESSEE AND GUARANTORS. Lessee and Guarantors agree that unless otherwise expressly set forth herein, all fees due and payable under any Management Agreements relating to the Leased Property shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into relating to the Leased Property shall expressly contain an acknowledgment of such subordination. At the request of Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements executed written confirmation of such subordination, which shall be delivered to the Lessor within twenty (20) days from Lessor's request.

39.10 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, Lessee shall not permit more than five percent (5%) of its ownership to be held by persons other than (i) its general partner and Affiliates of its general partner, and (ii) individuals who are licensed physicians or entities comprised of individuals who are licensed physicians actively practicing full time clinical medicine in Houston, Texas, some of whom have active staff privileges at the Facility, and the aggregate ownership of the limited partners shall not be reduced below the aggregate ownership of the limited partners as of the date hereof.

39.11 ADDITIONAL LETTER OF CREDIT. In the event Lessee 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 Lessor as a beneficiary thereunder and shall be in a form reasonably acceptable to Lessor. Lessee hereby grants to Lessor a security interest in the Additional Letter of Credit. Lessee shall, within fifteen (15) days from the end of the Construction Period, execute all documents (including, without limitation, all bank/lender required documents) necessary for Lessor to perfect its security interest in the Additional Letter of Credit.

39.12 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessor and MPT have the right of access to the Facility and all documentation and information relating to the Facility and have the right to disclose any information regarding this Lease, the Lessee, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

39.13 LESSEE APPROVAL RIGHTS. Notwithstanding anything contained herein to the contrary, Lessor acknowledges and agrees that Lessee shall have the right to approve all of the following, which approval Lessee shall not unreasonably withhold, condition or delay. In the event Lessee fails to provide its written approval of such

items within fifteen (15) days after request, such items shall be deemed to have been approved. All of the capitalized terms in quotation marks in this Section 39.13 shall have the meaning ascribed in the Development Agreement, except as otherwise indicated. In the event of a conflict between the provisions of this Section 39.13 and any other provision of this Lease, the provisions of this Section 39.13 shall control.

(a) All of the material terms and conditions of the "Governmental Development Approvals" and "Governmental Use Approvals."

(b) The general contract with the "Contractor" for construction of the Leased Improvements, the contract for architectural services with the "Architect" for the design of the Leased Improvements and the contract for engineering services for the Leased Improvements with the "Engineer." Such rights to approve the foregoing contracts shall include, without limitation, the rights to approve the insurance coverage provided for all such services, including, without limitation, professional errors and omissions insurance.

(c) The "Final Construction Schedule" and the "Final Project Budget."

(d) The "Plans and Specifications."

(e) All "Change Orders" and "Construction Change Directives" (as such terms may be defined in the general contract for construction described above in Section 39.13(b)).

(f) Following the issuance of the Architect's certificate of "Final Completion" with respect to the Leased Improvements, Lessee may inspect the Leased Improvements and prepare and deliver to Lessor its punch list ("Punch List") setting forth all incomplete, defective or other items of construction not in conformity with the Plans and Specifications. Lessor will deliver such Punch List to the Developer for completion in accordance with the provisions of Section 5(c) of the Development Agreement.

39.14 PURCHASE OF GROUND LEASED LAND. So long as Lessee is not in default hereunder beyond all applicable cure periods, Lessor will exercise its right to purchase the Ground Leased Land pursuant to the terms of the Ground Lease. The total purchase price and all costs and expenses to purchase the Ground Leased Land shall be added to the Total Development Costs and Rent due hereunder shall increase in proportion to the increase in the Total Development Costs resulting from such purchase. In connection with the purchase of the Ground Leased Land, the Lessee has entered into that certain Escrow Agreement dated June ____, 2004 (the "Escrow Agreement"), with Ground Lessor, whereby all of the conveyance documents related to the purchase of the Ground Leased Land have been placed in escrow with the Escrow Agent named in the Escrow Agreement. The Escrow Agreement is non-assignable; however, Lessee hereby covenants and agrees to enforce all of its rights and perform all of its obligations under the Escrow Agreement for the benefit of the Lessor so that the Lessor may purchase the Ground Leased Land as provided in this Lease and the Ground Lease.

39.15 RESTRICTIVE COVENANTS. At the time Lessor purchases the Ground Leased Land pursuant to Section 39.14 hereof, Lessor will execute the Declaration and promptly record same in the office of the Deed of Records of Harris County, Texas. Lessor agrees to enforce the restrictive use covenants and restrictions set forth in the Declaration relating to the Facility, and Lessee covenants and agrees to comply therewith. So long as Lessee is not in default under this Lease beyond any applicable cure period, Lessor shall not amend the Declaration or add any restrictive covenants encumbering the Leased Property without Lessee's consent, not to be unreasonably withheld, conditioned or delayed.

39.16 NONDISTURBANCE OF SUBLESSEES OR SUBTENANTS BY LESSOR. Except as may be required under Article XV (Condemnation) hereof, Lessor agrees that in the event of the termination of this Lease because of any breach or default by Lessee, Lessor will not terminate a sublease previously approved by the Lessor, if such sublease is in full force and effect, or otherwise disturb the possession or leasehold rights of the sublessee under the sublease, provided that such sublessee is not in default beyond applicable notice and cure periods (which shall not exceed thirty (30) days) of the sublease. Notwithstanding anything contained herein to the contrary, Lessor's agreement not

to terminate the sublease or disturb the possession or leasehold rights of the sublessee is expressly conditioned upon (i) Lessor receiving from the sublessee a subordination and attornment agreement in a form reasonably satisfactory to Lessor, (ii) sublessee not being in default under the terms of the sublease, (iii) the sublease being in compliance with the requirements of Article XIII (Subletting and Assignment) of this Lease, (iv) all guarantors of the sublease executing and delivering to the Lessor a Guaranty substantially in the form attached to the sublease whereby the guarantor unconditionally and absolutely guarantees to the Lessor the payment and performance of the obligations under the sublease, (v) sublessee executing and delivering to Lessor within a time period to be determined by Lessor (not to be less than five (5) business days) a subordination and attornment agreement in favor of the Lessor in form satisfactory to Lessor (which shall, at a minimum, require the sublessee and the guarantor of the sublease to deliver to Lessor the financial statements required under the sublease and within a time period to be determined by Lessor. Notwithstanding anything contained herein, any modifications or amendments of the subleases shall not be binding on Lessor unless Lessor consents to the same and such modifications or amendments are not in violation of Article XXIII (Subletting and Assignment) hereof.

39.17 TEXAS DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT. Lessor and Lessee each acknowledge, on its own behalf and on behalf of its successors and assigns, that the Texas Deceptive Trade Practices-Consumer Protection Act, Subchapter E of Chapter 17 of the Texas Business and Commerce Code ("DTPA"), is not applicable to this Lease. Accordingly, the rights and remedies of Lessor and Lessee with respect to all acts or practices of the other, past, present or future, in connection with this Lease shall be governed by legal principles other than the DTPA. Lessor and Lessee each hereby waives its rights under the DTPA, a law that gives consumers special rights and protections. After consultation with an attorney of its own selection, Lessor and Lessee, respectively, voluntarily consent to this waiver.

39.18 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XL

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

MPT WEST HOUSTON MOB, L.P.

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

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

Its: President & CEO

LESSEE:

STEALTH, L.P.

By: West Houston GP, L.P.,
Its: General Partner

By: West Houston Joint Ventures, Inc.,
Its: General Partner

By: /s/ Thomas A. Gallagher

Thomas A. Gallagher
Its: President

GUARANTORS:

WEST HOUSTON GP, L.P.

By: West Houston Joint Ventures, Inc.,
Its: General Partner

By: /s/ Thomas A. Gallagher

Thomas A. Gallagher
Its: President

WEST HOUSTON JOINT VENTURES, INC.

By: /s/ Thomas A. Gallagher

Name: Thomas A. Gallagher
Title: President

STATE OF ALABAMA

COUNTY OF JEFFERSON

This instrument was acknowledged before me on the _____ day of _____, 2004, by _____, _____ of MEDICAL PROPERTIES TRUST, INC., the Sole Member of Medical Properties Trust, LLC, the General Partner of MPT Operating Partnership, L.P., the Sole Member of MPT West Houston MOB, LLC, the General Partner of MPT West Houston MOB, L.P., a Delaware limited partnership, on behalf of said Delaware limited partnership.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 2004, by Thomas A. Gallagher, President of West Houston Joint Ventures, Inc., a Tennessee corporation, the general partner of West Houston GP, L.P., a Tennessee limited partnership, the general partner of Stealth, L.P., a Delaware limited partnership, on behalf of said Delaware limited partnership.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 2004, by Thomas A. Gallagher, President of West Houston Joint Ventures, Inc., a Tennessee corporation, the general partner of West Houston GP, L.P., a Tennessee limited partnership, on behalf of said Tennessee limited partnership.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 2004, by Thomas A. Gallagher, President of West Houston Joint Ventures, Inc., a Tennessee corporation, on behalf of said Tennessee corporation.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C
DECLARATIONS

EXHIBIT D

Tenant Letters of Intent

LEASE AGREEMENT

MPT WEST HOUSTON HOSPITAL, L.P.,
a Delaware limited partnership

Lessor

AND

STEALTH, L.P.
a Delaware limited partnership

Lessee

WEST HOUSTON GP, L.P.
WEST HOUSTON JOINT VENTURES, INC.

Guarantors

Property: General Acute Care Hospital Facility
Houston, Harris County, Texas

June 17, 2004

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LEASE

THIS LEASE (this "Lease") is dated as of the 17th day of June, 2004, and is between MPT WEST HOUSTON HOSPITAL, L.P., a Delaware limited partnership ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and STEALTH, L.P., a Delaware limited partnership ("Lessee"), having its principal office at 908 Town & Country Blvd., Suite 120, Houston, Texas 77024.

W I T N E S S E T H:

WHEREAS, Lessor is the owner of an undivided 45.27% fee simple interest in that certain real property located in Houston, Harris County, Texas, which real property is more particularly described on EXHIBIT A attached hereto (the "45.27% interest in the Land"), and is the owner of a fee simple interest in approximately 16.5 acres of certain real property ("Additional Real Estate") located in Houston, Harris County, Texas, which real property is more particularly described on EXHIBIT B attached hereto;

WHEREAS, Lessee entered into that certain Ground Lease [Hospital] dated effective as of the 29th day of April, 2004 (the "Ground Lease"), with Medistar Westside Houston Medical Center, Ltd. ("Ground Lessor") and Medistar Corporation, whereby the Ground Lessor leased to the Lessee its 54.73% undivided fee simple interest in the Land (the "Ground Leased Land") (the 45.27% interest in the Land, the Additional Real Estate and the Ground Leased Land being referred to herein collectively as the "Land");

WHEREAS, the parties to the Ground Lease executed a Memorandum of Lease [Hospital] which was recorded as Instrument No. X707949 on June 21, 2004, in the Office of the Deed of Records of Harris County, Texas;

WHEREAS, approximately 1.9701 acres (as described on EXHIBIT C attached hereto) (the "Parking Tract") of the Additional Real Estate will be used for parking in connection with the operation of the Facility (as defined herein);

WHEREAS, simultaneously herewith, Lessee has assigned to the Lessor all of its rights, title and interest under the Ground Lease, including, without limitation, the purchase option as set forth in the Ground Lease; and

WHEREAS, the parties desire to enter into this Lease on the terms and conditions hereafter provided.

ARTICLE I

LEASED PROPERTY; TERM

The Lessor and the Lessee acknowledge and agree that this Lease is subject to all of the terms, conditions, provisions, limitations and obligations contained in the Ground Lease (including, without limitation, the rental obligations and the options to purchase) and Lessee accepts, assumes and agrees to perform and observe all of such terms, conditions, provisions, limitations and obligations contained therein and to be performed on the part of the Lessor as lessee therein, except as expressly modified and limited herein. In the event of termination of the Ground Lease, by lapse of time or for any other reason, prior to the cancellation or termination of this Lease, this Lease shall automatically terminate on the effective date of the termination of the Ground Lease, unless said termination shall have been caused by any act or omission of the Lessee, in which event Lessee shall remain liable to the Lessor in accordance with the terms hereof; therefore

Upon and subject to the terms and conditions set forth above and as hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

- (a) the Land;

(b) the one hundred five (105) bed, 121,884 gross square feet general acute care hospital facility (the "Facility") (including an approximate seven thousand six hundred sixty-six (7,666) square foot connector to the medical office building to be constructed on land adjacent to the Land), to be constructed on the Land as provided in that certain Development Agreement dated of even date herewith (the "Development Agreement") by and among GP Medical Ventures, LLC, a Tennessee limited liability company, and Lessor, all Fixtures (as hereinafter defined) 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 (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT D attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on the date hereof (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month period following the Completion Date. Notwithstanding anything contained herein to the contrary, in the event the certificate of occupancy is not issued within sixty (60) days from the date of the Completion of the construction of the Facility, Lessor shall have the option to terminate this Lease after prior written notice to the Lessee.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Lease (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under the Other Lease, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined Section 10.2.

Additional Charges: As defined in Section 3.2.

Additional Real Estate: As defined in the Preamble.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Assets: As defined in Section 2.1(a)(i) of the Purchase Agreement.

Award: As defined in Section 15.1.

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

Building: The general acute care hospital facility to be constructed in accordance with the Development Agreement.

Business: The lease and operation of the Facility and the MOB Facility and the engagement in and pursuit and conduct of any business ventures or activities related thereto.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 20.1(g).

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

Commencement Date: The date on which this Lease is fully executed by Lessor and Lessee.

Completion: The terms "complete construction" and "completion of construction" means the Project Architect (as defined in the Development Agreement) shall have certified to Lessor that, except for typical punch list items, the construction of the Facility has been completed in accordance with the plans and specifications as approved pursuant to the Development Agreement.

Completion Date: The earlier to occur of (i) the date on which the Lessee obtains its Medicare billing number, or (ii) sixty (60) days from the date of the issuance of a certificate of occupancy for the Building by the appropriate Governmental Authority; provided, however, in the event the certificate of occupancy is not issued within sixty (60) days from the date of the completion of the construction of the Facility, Lessor shall have the option to terminate this Lease after prior written notice to the Lessee.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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 Period: That period of time commencing on the date on which the first advancement of funds are disbursed under the Development Agreement and ending on the Completion Date.

Construction Period Rent: 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 Lessee, if any, with respect to the Leased Property, the Tenant Leases or the Tenants.

Date of Taking: As defined in Section 15.1.

Debt Service Payments: The periodic required payments made by Lessee to discharge its Total Indebtedness.

Declarations: The Declaration of Covenants, Restrictions and Reciprocal Easements [Hospital and MOB] and the Additional Declaration of Covenants and Restrictions [MOB] to be recorded pursuant to Section 39.19 hereof, substantially in the form attached hereto as EXHIBIT E.

Developer: GP Medical Ventures, LLC, a Tennessee limited liability company.

Developer Letter Agreement: That certain Developer Letter Agreement dated April 28, 2004, between Lessee, Medistar Corporation and Ground Lessor.

Development Agreement: That certain Development Agreement between Developer and Lessor, dated of even date herewith.

Direct Competitor of Lessee: Any entity or Affiliate (in which such entity owns 50% or more of the ownership interests in such Affiliate) then operating a general acute care hospital facility within a five (5) mile radius of the Leased Property.

EBITDAR: Earnings before deduction of interest, taxes, depreciation, amortization and rent and determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The general acute care hospital facility and all improvements in connection therewith to be constructed on the Ground Leased Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Facility Year: The calendar year, with the first Facility Year being the calendar year commencing on January 1, 2007, and ending on December 31, 2007.

Fair Market Value: Unless otherwise expressly defined in this Lease, the Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIII or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall 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 the Lessee's operations.

Fair Market Added Value: The Fair Market Value of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Quarter: Each consecutive three (3) month period during a Facility Year with the first Fiscal Quarter being the first three (3) months of each Facility Year.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles, consistently applied.

Ground Lease: As defined in Article I.

Ground Lease Rent Payments: As defined in Article III

Ground Leased Land: The land leased under the Ground Lease.

Ground Lessee: As defined in Article I.

Ground Lessor: Medistar Westside Houston Medical Center, Ltd., a Texas limited partnership.

Guarantors: Jointly and severally, whether one or more, West Houston GP, L.P. and West Houston Joint Ventures, Inc.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors to Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of each of Lessee's obligations under this Lease and any other of the obligations of Lessee, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Impositions: Collectively, all taxes (including, without limitation, all capital stock and franchise taxes of Lessor, 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 Lessee), which at any time prior to, during or in respect of the

Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

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

Land: As defined in Article I.

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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations to Lessor of Lessee, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least \$50,000,000.

Lessee: Stealth, L.P., a Delaware limited partnership, and its successors and permitted assigns.

Lessee'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

Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses but excluding Lessee's accounts receivables and any items included within the definition of Fixtures.

Lessor: MPT West Houston Hospital, L.P., a Delaware limited partnership, and its successors and assigns.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Material Adverse Effect: 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 Lease, could, individually or in the aggregate, reasonably be expected to have a material adverse effect on (i) Lessee'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 Lessee's ability to perform its obligations under, and/or consummate the transactions contemplated by, this Lease within the time periods specified herein.

MOB Facility: The medical office building facility and all improvements in connection therewith to be constructed on the MOB Land.

MOB Land: The adjacent real estate on which a medical office building will be located.

MPT: Medical Properties Trust, Inc. and its operating partnership, MPT Operating Partnership, L.P.

Net Revenue: The net revenues of the Lessee as determined in accordance with GAAP for each Fiscal Quarter.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Lease: The Lease Agreement entered into between MPT West Houston MOB, L.P. and Lessee whereby the MOB Facility is leased to the Lessee.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent or any other sums payable under this Lease.

Permitted Exceptions: As defined in Article I.

Pledge Agreement: As defined in Section 16.8.

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 Formation and Contribution Agreement dated of even date herewith, among MPT Operating Partnership, L.P., Lessee, Lessor, GP Medical Ventures, LLC and MPT West Houston MOB, L.P., relating to the acquisition of the Leased Property and the leasing of such property by Lessor to Lessee.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

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

Substitution Date: As defined in Section 20.1.

Substitute Properties: As defined in Section 20.1(a).

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant Improvements: The interior partitions, finishes and other tenant improvement work in and for each suite of space in the Building leased to a Tenant as required under the Tenant Leases.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Total Development Costs: The total development costs for the development of the Leased Improvements to be constructed on the Land as set forth in the Development Agreement (including, without limitation, the (i) costs and expenses to purchase the Land, (ii) rent payments due and payable under the Developer Letter Agreement and the Ground Lease, (iii) purchase option funds necessary to exercise the option to purchase the Land under the Ground Lease, (iv) all amounts advanced pursuant to the Development Agreement, (v) the purchase price, costs and expenses of Lessor to purchase the Additional Real Estate, (vi) all Construction Period Rent due and payable during the Construction Period which shall be deferred, capitalized and adjusted as set forth in Section 3.1(a) below, and (vii) all other costs agreed by the parties to be included in Total Development Costs).

Total Indebtedness: All indebtedness which, in accordance with GAAP, will be included in determining total liabilities as shown on the liability side of a balance sheet, including any such indebtedness represented by

obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, but excluding any nonrecourse indebtedness and excluding any current liabilities.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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 III

RENT

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

(a) CONSTRUCTION PERIOD RENT: The rent to be paid by Lessee to Lessor with respect to the Construction Period (the "Construction Period Rent") shall be an amount equal to 10.75% per annum of the Total Development Costs accruing prior to the Completion Date (calculated without regard to Construction Period Rent). The Construction Period Rent will be deferred and added to Total Development Costs accruing prior to the Completion Date in determining Base Rent as of the Completion Date. The Construction Period Rent amount will be amortized and paid beginning with the Completion Date in equal monthly installments simultaneously with the monthly payments of Base Rent. As the amortized Construction Period Rent is paid, the Total Development Costs and Base Rent will be adjusted and reduced proportionately. The Construction Period Rent shall be paid by Lessee to Lessor on the first (1st) day of each month without notice, demand, set off or counterclaim.

(b) BASE RENT: Subject to annual adjustments as expressly set forth herein, the base rent to be paid by Lessee to Lessor following the Construction Period (the "Base Rent") shall be equal to 10.75% per annum of the Total Development Costs (including the deferred Construction Period Rent as provided in Section 3.1(a) above), and shall be payable in advance in equal, consecutive monthly installments. Base Rent shall be payable 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), subject to adjustment as provided in Sections 10.3(b)(iv), and 20.1 below; and

(c) ADJUSTMENT OF BASE RENT:

(i) Notwithstanding anything contained herein to the contrary, commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one-half percent (2.5%) per annum.

(ii) Lessee has certain rights to purchase the Additional Real Estate as set forth in Section 39.12 of this Lease. If and when Lessee purchases the Additional Real Estate or any part thereof, the Total Development Costs shall be decreased by an amount

equal to the purchase price paid by Lessee for the purchase of the Additional Real Estate (to be pro rated for any partial purchases thereof made by Lessee as provided in Section 39.12 hereof). Base Rent thereafter shall be decreased in the same proportion that the purchase price paid by Lessee for the Additional Real Estate (or applicable portion thereof) bears to the Total Development Costs.

(d) SCHEDULE OF TOTAL DEVELOPMENT COSTS AND RENT ADJUSTMENTS: At the end of the Construction Period, the Lessor shall, in its reasonable discretion, calculate the Total Development Costs, Construction Period Rent and Base Rent to be paid hereunder (the "Schedule"), and provide a copy of such Schedule to the Lessee, which Schedule will become a part of this Lease and incorporated herein by reference, but shall be substituted, amended and adjusted by Lessor from time to time in its reasonable discretion as the Total Development Costs, rent payments and rent adjustments are calculated during the Term as provided herein, and when delivered to the Lessee 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) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent. If any installment of Base Rent, Construction Period Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, Construction Period Rent and the payments of Additional Charges throughout the Term, all as more fully set forth in Article IV, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Lessor and Lessee hereby acknowledge and agree that in lieu of a cash security deposit, the Letter of Credit required under Section 39.10 of this Lease will serve as the Lease Deposit under this Lease.

3.5 LEASE CONFIRMATION LETTER. Upon the completion of the construction of the Facility and the determination of the final Total Development Costs, Lessor and Lessee shall execute and deliver to each other a letter confirming the Completion Date and the final Total Development Costs.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such

payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Except as may be otherwise specified in this Lease, Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or

any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated 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, GROUND LEASED LAND AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Lessor owns a certain portion of the Land and has a ground leasehold interest in the Ground Leased Land pursuant to the Ground Lease, all as described above, and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease, subject to the terms, conditions and provisions of the Ground Lease. Lessee acknowledges and agrees that the Lessor has the option to purchase the Ground Leased Land pursuant to the Ground Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within thirty (30) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and satisfactory for its purpose hereunder and under the Development Agreement. Lessee is leasing the Leased Property "as is" in its present condition and as shall be improved pursuant to the Development Agreement. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR

CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure requirements and Medicare and/or a Medicaid certification, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a general acute care hospital facility.

(b) After the Commencement Date and during the entire Term, after the completion of the construction of the Leased Improvements, Lessee shall use or cause to be used the Leased Property and the improvements thereon as a general acute care hospital facility and for such other uses as may be necessary in connection with or incidental to such use and as may be permitted in a declaration of covenants, restrictions and easements relating to a general acute care hospital facility which may be prepared and recorded against the Land (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which Lessee agrees may be withheld in Lessor'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 Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only as a provider of healthcare services in accordance with its Primary Intended Use and to maintain its certifications for reimbursement and licensure and its accreditation, if compliance with accreditation standards is required to maintain the operations of the Facility and if a failure to comply would adversely affect operations of the Facility.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the approval of Lessor, which approval shall not be unreasonably withheld or delayed (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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. Except as generated in the normal course of business regarding the Primary Intended Use and in compliance with Hazardous Materials Laws, no Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Materials Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Materials Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Materials Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Materials Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Materials Laws, or requiring compliance with any Hazardous Materials Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Materials Laws.

8.4 HEALTHCARE REGULATORY MATTERS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in material compliance with all rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (18 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 ("Healthcare Fraud Laws") affecting Stealth and the Leased Premises.

In the event Lessee is in breach of the foregoing representations and warranties and such breach has or would have, in Lessor's reasonable and good faith determination, a Material Adverse Effect and Lessee does not immediately cure such breach to the reasonable satisfaction of Lessor, Lessee shall be in default under this Lease. In the event such breach is of a type which does not or would not have a Material Adverse Effect, as reasonably and in good faith determined by Lessor, and cannot reasonably be cured within ninety (90) days from the date of Lessor's notice to Lessee of its reasonable determination in good faith that such breach does not or would not have a Material Adverse Effect, Lessee shall have a reasonable time thereafter to cure such breach (not to exceed one hundred twenty (120) days) so long as Lessee has commenced such cure within such ninety (90) days and is diligently prosecuting such cure to completion.

Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Fraud Laws violation.

Lessee further hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach by Lessee of any of the above representations and warranties.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Ten Thousand and 00/100 Dollars (\$10,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or

renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

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

(e) Commencing on January 1, 2005, Lessee shall make monthly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing. Such account shall require the signature of an officer of the Lessee and the Lessor to make withdrawals. The first monthly deposit on January 1, 2005, and each deposit to be made monthly thereafter through and including December 1, 2005, shall be equal to the sum of Two Thousand Five Hundred and 00/100 Dollars (\$2,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Hospital). On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2.25% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by the Lessee with the Lessor's approval, which such approval will not be unreasonably withheld, or by the Lessor with the Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. The parties hereto agree that the Lessor shall have a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee agree that the first dollars of all capital expenditures made in each year during the Term of this Lease shall be funded from the Capital Improvement Reserve account to the full extent of such account; provided, however, if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) After the completion of the construction of the Leased Improvements under the Development Agreement, if no Event of Default shall have occurred or be continuing under this Lease or the Other Lease, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVIII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition and shall provide to Lessor such plans and specifications, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) By Lessor assigning to Lessee under appropriate written instruments the right to receive an amount equal to the Added Value Additional (determined as of the expiration or earlier termination of this Lease) of all rent and other consideration receivable by Lessor under any re-letting or other disposition of the Leased Property, after deducting all costs and expenses incurred by Lessor in connection with such re-letting or other disposition of the Leased Property and all costs and expenses of operating and maintaining the Leased Property during any such new lease which are not borne by the Tenant thereunder, with the provisions of this Section 10.2 to remain in effect until the sale or other final disposition of the Leased Property; or

(iv) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's interest in the Land and to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be

under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

- (i) all customary or other required loan documentation;
- (ii) any information, certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;
- (iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;
- (iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;
- (v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;
- (vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);
- (vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;
- (viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion

of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Section 9.1(a), Lessee 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 purposes and to permit the Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT C, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, (f) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (g) any liens

which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of the Lessee's rights and interests in this Lease, the Leased Property, the Additional Property or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of the Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. Subject to Section 13.2 below, during the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed necessary by the Lessor and as described below. This insurance shall be written by insurance companies (i) acceptable to the Lessor, (ii) that are rated at least an "A-X" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business

in the state in which the Leased Property is located. The aggregate amount of covered by a single company must not exceed five percent (5%) of the insurance company's policyholders' surplus. The policies must name Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor, (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In addition, the policies shall name as an additional insured 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 Article XXXVII ("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 Lessor and each affected Facility Mortgagee. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee's Personal Property, shall insure against the following risks:

13.2 INSURANCE RISK COVERAGES. Lessee will use its best efforts to obtain, within thirty (30) days from the Commencement Date, policies of insurance on the Leased Property, including the Leased Improvements, the Fixtures and Lessee's Personal Property, insuring against the risks set forth in this Section 13.2. In the event Lessee is unable to obtain insurance risk coverages as required under this Article 13.2, Lessee will use its best efforts to obtain within thirty (30) days from the Commencement Date, insurance with risk coverages as close to the requirements set forth herein as commercially reasonable.

(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 Lessee 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, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor 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 the Lessor, which consent shall not be unreasonably withheld or delayed by the Lessor.

(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 subparagraph 13.1(a) above, or under a separate policy.

(d) Worker's compensation insurance covering all employees in amounts that are customary for the Lessee'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 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 (SCU), Products Liability, Completed Operations, Broad Form Contractual Liability, Broad Form Property Damage, Personal Injury, Incidental Malpractice Liability, and Host Liquor Liability.

(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 Lessee or other employee or agent of the Lessee providing services at the Leased Property 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 Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay the fee, if any, of the impartial appraiser.

13.3 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be required from time to time by any Facility Mortgagee and shall further at all times

maintain adequate worker's compensation insurance coverage for all persons employed by Lessee on the Leased Property, in accordance with the requirements of applicable local, state and federal law.

13.4 WAIVER OF SUBROGATION. All insurance policies carried by either party covering the Leased Property, the Fixtures, the Facility and/or Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the commencement of the construction of the Facility and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor thirty (30) days' written notice 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 the Lessor. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by the Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXII hereof.

13.6 INCREASE IN LIMITS. In the event that Lessor 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 Section. 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 Section, Lessee'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 Lessee provided that

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

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts acceptable to Lessor.

13.8 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XX. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XX below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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, Lessee may either (i) offer pursuant to Article XX to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XX and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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, whether or not such damage or destruction renders the Facility Unsuitable for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XX. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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. Intentionally Omitted.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XX. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

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

15.6 AWARD DISTRIBUTION. In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is

terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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) a default or event of default shall occur under the Other Lease that is not cured within the applicable cure period as provided therein, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of written notice thereof from Lessor; provided, however, in no event shall Lessor be required to give more than one (1) written notice per calendar year, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of written notice thereof from Lessor (provided, however, in no event shall Lessor be required to give more than two (2) written notices per calendar year for a non-monetary default), unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of written notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, which is not cured within the cure period as provided therein, or

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

(k) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, which is not cured within the cure period as provided therein.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by

applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii). Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS. (a) The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for in Section 16.2(c):

(i) With respect to the Facility Year commencing January 1, 2007, if for any Fiscal Quarter in such Facility Year, the following tests (determined, except as otherwise provided, on an annualized basis with respect to items (a) and (b) below), occurs, it being understood that, except as otherwise provided, at the end of the first Fiscal Quarter, the first Fiscal Quarter data shall be annualized, at the end of the second Fiscal Quarter, the first two Fiscal Quarters' data shall be annualized, at the end of the third Fiscal Quarter, the first three Fiscal Quarters' data shall be annualized and at the end of the fourth Fiscal Quarter, all four Fiscal Quarters' data shall be taken into account:

(a) If the sum of (A) Lessee's total required Debt Service Payments and (B) Lessee's total Base Rent generates a coverage ratio to the Lessee's EBITDAR of less than one hundred twenty-five percent (125%), or

(b) Lessee generates a total Base Rent coverage from EBITDAR of less than one hundred thirty-five percent (135%).

(ii) Lessee experiences four (4) consecutive Fiscal Quarters with declines in Net Revenue (it being understood that the first Fiscal Quarter in which a decline is tested is the second Fiscal Quarter in the Facility Year commencing January 1, 2007 and such second Fiscal Quarter is compared to the first Fiscal Quarter in 2007 and so on) and in each such Fiscal Quarter, Lessee is also in violation of (a)(i)(a) (determined by substituting one hundred fifty percent (150%) for one hundred twenty-five percent (125%)).

(iii) With respect to the Facility Year commencing January 1, 2008, if for any Fiscal Quarter in such Facility Year, the following tests (determined, except as otherwise provided, on an annualized basis with respect to items (a) and (b) below), occurs, it being understood that, except as otherwise provided, at the end of the first Fiscal Quarter, the first Fiscal Quarter data shall be annualized, at the end of the second Fiscal Quarter, the first two Fiscal Quarters' data shall be annualized, at the end of the third Fiscal Quarter, the first three Fiscal Quarters' data shall be annualized and at the end of the fourth Fiscal Quarter, all four Fiscal Quarters' data shall be taken into account:

(a) If the sum of (A) Lessee's total required Debt Service Payments and (B) Lessee's total Base Rent generates a coverage ratio to the Lessee's EBITDAR of less than one hundred fifty percent (150%), or

(b) Lessee generates a total Base Rent coverage from EBITDAR of less than one hundred seventy-five percent (175%).

(iv) With respect to each Fiscal Quarter in each Facility Year beginning with the Facility Year commencing January 1, 2009:

(a) If the sum of (A) Lessee's total required Debt Service Payments and (B) Lessee's total Base Rent generates a coverage ratio to the Lessee's EBITDAR (determined on a twelve (12) months' trailing basis) of less than one hundred fifty percent (150%), or

(b) Lessee generates a total Base Rent coverage from EBITDAR (determined on a twelve (12) months' trailing basis) of less than one hundred seventy-five percent (175%).

(b) With respect to each Fiscal Quarter during each Facility Year commencing with the Facility Year beginning January 1, 2007, if one of the following occurs, such failure shall constitute a material default and breach of this Section 16.2 and Lessor shall have the rights and remedies provided for in Section 16.2(c):

(i) If Lessee experiences six (6) consecutive Fiscal Quarters of falling Net Revenue (it being understood that the first Fiscal Quarter in which a decline is tested is the second Fiscal Quarter in the Facility Year commencing January 1, 2007, and such second Fiscal Quarter is compared to the first Fiscal Quarter in 2007 and so on) and in each Fiscal Quarter Lessee would be in violation of (a)(i)(a) (substituting one hundred fifty percent (150%) for one hundred twenty-five percent (125%); or

(ii) If any of the Guarantors cause or fail to prevent a payment default on any of their 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 the applicable cure periods provided for.

(c) Upon the occurrence of any of the items in this Section 16.2, Lessor shall have the right to pursue the remedies set forth in Section 16.1 hereof, shall be entitled to exercise all other remedies available in equity or at law and, in addition, upon the occurrence of any of the items in this Section 16.2 for two (2) consecutive Fiscal Quarters, may require Lessee to cancel any or all of the Management Agreement(s) and to replace the Management Company(ies) with a company(ies) of Lessor's choosing; provided, however, such replacement Management Company chosen by Lessor shall not be a party related to or an affiliate of Lessor, Medical Properties Trust, Inc., MPT Operating Partnership, L.P., or any officer or director of any of the foregoing entities and shall have experience managing a hospital. Upon the occurrence of any one or more of the items set forth in items (b), (i) through (ii) of this Section 16.2, Lessor shall have the right, in addition to all other remedies hereunder and available in equity or at law, to foreclose on the partnership interests of Lessee as set forth in the Pledge Agreement, and proceed with any other remedy the Lessor deems appropriate, including, but not limited to, selling Lessee's partnership interests to a third party.

For purposes of determining whether there is a default under 16.2, the manager(s) under the Management Agreement(s) may elect to defer the payment(s) of all or some of its(their) management fees until such fees can be paid without causing a default hereunder; and, for purposes of determining EBITDAR, any such deferred management fees will not be deducted until paid, and will not be treated as Total Indebtedness. Any management fee(s) not payable prior to the termination of the Management Agreement(s) will be forgiven.

(d) Notwithstanding anything contained herein to the contrary, in the event Lessee is in violation or default under the healthcare provisions as set forth in Section 8.4 of this Lease, or in the financial covenants provisions as set forth in Section 16.2 of this Lease, Lessee may cure such default by purchasing the Leased Property at a price calculated by using the formula provided in Section 34.3 of this Lease. In the event the Lessee elects to so cure such default, it shall provide notice to the Lessor within five (5) days following notice of such default. The purchase of the Leased Property shall be closed in accordance with Article XVIII hereof and within sixty (60) days from the date of the notice of such election.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1. above, Lessee shall compensate Lessor for (i) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (ii) all expenses incurred by Lessor in reletting (including among other

expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iii) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (iv) Lessor's reasonable attorneys' fees and expenses, (v) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse reaction by mortgagees), and (vi) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 WAIVER. If this Lease is terminated pursuant to Section 16.1 or 16.2, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.5 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.6 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.7 LESSOR'S CONTRACTUAL SECURITY INTEREST. Subject to any contract lien and security interest of Lessee's Primary Lender (as defined herein), to secure the payment of all rent due and to become due hereunder and the faithful performance of this Lease by Lessee and to secure all other indebtedness and liabilities of Lessee to Lessor now existing or hereafter incurred, Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any Lessor's statutory landlord lien and shall be cumulative thereto. Except as limited in favor of the Primary Lender as set forth above in this Section 16.7, Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least seven (7) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute (if required by law) and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

As used herein, the term "Primary Lender" means the lender providing financing for Lessee to purchase the personal property as described in this Section 16.7. In the event Lessee obtains financing from a Primary Lender, Lessee shall use commercially reasonable efforts to obtain from its Primary Lender a consent to a secondary lien on Lessee's Personal Property in favor of Lessor, in form and content reasonably acceptable to the Primary Lender and Lessor. Lessee covenants and agrees not to place or allow any other liens to be placed on the Lessee's Personal Property.

16.8 PLEDGE OF PARTNERSHIP INTEREST. Lessee has pledged, pursuant to a Pledge Agreement of even date herewith from Lessee in favor of Lessor (the "Pledge Agreement"), all of Lessee's partnership interest in Lessor as additional security for Lessee's payment and performance of its obligations under this Lease. The Pledge Agreement provides that Lessor will have, in addition to any other remedy that Lessor may have as a result of Lessee's default under the Lease, the right to foreclose upon Lessee's partnership interest upon the occurrence of a default of Lessee's obligations under this Lease that is not cured within any applicable cure period.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXIV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from

Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

SUBSTITUTION OF PROPERTY

20.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY.

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuited for Its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XX, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably apprised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the

proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon written notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XX.

(c) If Lessee gives the notice referred to in Section 20.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 20.2 and Section 20.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XX, including without limitation the provisions of Sections 21.0(d), (e) and (f) below, the matter shall be submitted to arbitration in accordance with Article XXXVI and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon written notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 20.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to the Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section

857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties described in EXHIBIT A and EXHIBIT B hereto or any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

20.2 CONDITIONS TO SUBSTITUTION. On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by

Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with special warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 20.1, and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

(h) such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

20.3 CONVEYANCE TO LESSEE. On the Substitution Date or the date specified in the notice given pursuant to Section 20.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 20.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

20.4 EXPENSES. Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, (h) title insurance charges, and (i) escrow fees.

ARTICLE XXI

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXII

INDEMNIFICATION

NOTWITHSTANDING THE EXISTENCE OF ANY INSURANCE OR SELF INSURANCE PROVIDED FOR IN ARTICLE XIII, AND WITHOUT REGARD TO THE POLICY LIMITS OF ANY SUCH INSURANCE OR SELF INSURANCE, LESSEE WILL PROTECT, INDEMNIFY, SAVE HARMLESS AND DEFEND LESSOR FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, IMPOSED UPON OR INCURRED BY OR ASSERTED AGAINST LESSOR BY REASON OF: (A) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF 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 LESSEE OF THE LEASED PROPERTY, (C) ANY IMPOSITIONS (WHICH ARE THE OBLIGATIONS OF LESSEE TO PAY PURSUANT TO APPLICABLE PROVISIONS OF THIS LEASE), (D) ANY FAILURE ON THE PART OF LESSEE TO PERFORM OR COMPLY WITH ANY OF THE TERMS OF THIS LEASE, AND (E) THE NON-PERFORMANCE OF ANY OF THE TERMS AND PROVISIONS OF ANY AND ALL EXISTING AND FUTURE SUBLEASES OF THE LEASED PROPERTY TO BE PERFORMED BY THE LANDLORD (LESSEE) THEREUNDER. ANY AMOUNTS WHICH BECOME PAYABLE BY LESSEE UNDER THIS SECTION SHALL BE PAID WITHIN TEN (10) DAYS AFTER LIABILITY THEREFOR ON THE PART OF LESSOR IS DETERMINED BY LITIGATION OR OTHERWISE AND, IF NOT TIMELY PAID, SHALL BEAR A LATE CHARGE (TO THE EXTENT PERMITTED BY LAW) AT THE OVERDUE RATE FROM THE DATE OF SUCH DETERMINATION TO THE DATE OF PAYMENT. LESSEE, AT ITS EXPENSE, SHALL CONTEST, RESIST AND DEFEND ANY SUCH CLAIM, ACTION OR PROCEEDING ASSERTED OR INSTITUTED AGAINST LESSOR OR MAY COMPROMISE OR OTHERWISE DISPOSE OF THE SAME AS LESSEE AND LESSOR SEE FIT. NOTHING HEREIN SHALL BE CONSTRUED AS INDEMNIFYING LESSOR AGAINST ITS OWN NEGLIGENCE OR OMISSIONS OR WILLFUL MISCONDUCT. LESSEE'S LIABILITY FOR A BREACH OF THE PROVISIONS OF THIS ARTICLE SHALL SURVIVE ANY TERMINATION AND THE EXPIRATION OF THIS LEASE.

ARTICLE XXIII

SUBLETTING AND ASSIGNMENT

23.1 SUBLETTING AND ASSIGNMENT. Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company or allow any tenants of the building to engage any Management Company without Lessor's prior written consent, which consent shall not be unreasonably withheld. Lessee agrees to execute (or require the tenants to execute, if applicable) a subordination agreement relating to Management Agreements

entered into in connection to the Leased Property, which subordination agreement shall be in such form and content as reasonably acceptable to the Lessor. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIII, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Notwithstanding anything contained herein to the contrary, Lessor and Lessee 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, including, without limitation, all Stark and Anti-Kickback rules and regulations as described in Section 8.4 hereof and Lessor 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; and (iv) must not violate the use restrictions as set forth in Section 7.2 of this Lease. If conditions (i) through (iii) are not met, then Lessor's disapproval of any subleases not containing such terms and conditions shall be deemed reasonable. Notwithstanding anything contained herein to the contrary, Lessee has (i) entered into a sublease with Triumph Southwest, L.P. ("Triumph"), a Texas limited partnership (the "Triumph Sublease") whereby the Lessee has subleased certain space in the Leased Property to Triumph for use as a long term acute care hospital upon terms and conditions which are reasonably acceptable to the Lessor, (ii) delivered to the Lessor a true, correct and complete executed copy of the Triumph Sublease, and (iii) caused Triumph to purchase a certificate of deposit (the "Triumph CD") in the amount of Four Hundred Thousand and No/100 Dollars (\$400,000.00) with First Capital Bank, CD Number 46-0072884. Lessee warrants, represents and confirms that Triumph has granted to Lessor under the Triumph Sublease a security interest in the Triumph CD, and shall promptly furnish Lessor with evidence that the Triumph CD has been obtained. Within fifteen (15) days from the date hereof, Lessee shall cause Triumph to execute all documents (including, without limitation, all bank/lender required documents) necessary for Lessor to evidence and perfect its security interest in the Triumph CD. At the end of the Construction Period, Lessee shall obtain or cause Triumph to obtain and deliver to the Lessor an unconditional and irrevocable letter of credit from a bank acceptable to the Lessor (the "Triumph Letter of Credit") naming Lessor beneficiary thereunder, in an amount equal to Four Hundred Thousand and No/100 Dollars (\$400,000.00), which Triumph Letter of Credit shall be substituted for the Triumph CD and the pledge of the Triumph CD shall be released.

23.2 ATTORNTMENT. Lessee shall insert in each sublease permitted under Section 23.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

23.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor.

ARTICLE XXIV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(c) (i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors and the operations performed in the Facility, by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, Guarantors and the operations performed in the Facility certified to be true and correct in all material respects by an officer of Lessee or the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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.

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXV

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Three Thousand Seven Hundred Fifty and 00/100 Dollars (\$3,750.00) to cover the cost of the physical inspections of the Leased Property. Then, commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee shall increase at the rate of one and one-quarter percent (1.25%) per annum.

ARTICLE XXVI

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVIII

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXIX

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 XXX

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXI

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Lease, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

ARTICLE XXXII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized delivery service or (d) sent by facsimile transmission and addressed as follows:

- (a) if to Lessee: Stealth, L.P.
c/o GP Medical Ventures, LLC
908 Town & Country Blvd., Suite 120
Houston, Texas 77024
Attention: Mr. Thomas A Gallagher
Phone: (615) 665-1223
Fax: (615) 665-1227

with a copy to: Stealth, L.P.
c/o GP Medical Ventures, LLC
908 Town & Country Blvd., Suite 120
Houston, Texas 77024
Attention: Thomas L. Pritchett
Phone: (713) 984-7503

with a copy to: Barrett B. Sutton, Jr., Esq.
Waller, Lansden, Dortch & Davis
Nashville City Center
511 Union Street, Suite 2100
Nashville, Tennessee 37219-8966
Phone: (615) 850-8717
Fax: (615) 244-6804

(b) if to Lessor: MPT West Houston Hospital, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Phone: (205) 969-3755
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Phone: (205) 328-0480
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIII

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of

Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one(1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two (2) appraisers shall have twenty (20) days to appoint a third appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two (2) determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXIV

PURCHASE RIGHTS

34.1 LESSEE'S OPTION TO PURCHASE AT THE EXPIRATION OF THE LEASE TERM. So long as Lessee is not in default under the terms of this Lease, the Other Lease, and the Tenant Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within ninety (90) days from the date of the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Total Development Costs (including any Capital Additions funded by the Lessor, but excluding any Capital Additions funded by the Lessee), increased at two and one-half percent (2.50%) per year, or (ii) the Fair Market Value of the Leased Property. If the Fair Market Value is greater than (i) above, and the conditions set out in Paragraph 34.5 below have been met, then Lessee shall be entitled to a credit in the amount set out in Paragraph 34.6 below. Unless expressly otherwise provided in this Section 34.1, in the event the Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) the deed conveying the property to Lessee shall be subject only to the Permitted Exceptions and the Declarations, and (iii) the sale/purchase must be closed within sixty (60) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase. If Lessee does not exercise Lessee's option to purchase within said ninety (90) day period after receipt of said notice from Lessor, Lessor shall be free after the expiration of said ninety (90) day period to sell the Leased Property to any party.

34.2 LESSOR'S OPTION TO PURCHASE LESSEE'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

of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

34.3 LESSEE'S OPTION TO PURCHASE DURING THE LEASE TERM. So long as Lessee is not in default under the terms of this Lease, the Other Lease, and the Tenant Leases, Lessee and its successors will have the right, after the first full twelve (12) month period after the Completion Date, to purchase the Leased Property at any time during the Term of this Lease at a price equal to the greater of (i) a formula which generates an internal return to Lessor of at least eighteen percent (18%) (net of outstanding indebtedness on the Leased Property), determined by calculating the amount of cash contributed by Lessor and the amount of distributions received by Lessor (other than distributions to pay income taxes), or (ii) the Fair Market Value of the Leased Property. Unless otherwise provided in this Section 34.3, in the event Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, (ii) the deed conveying the property to Lessee shall be subject only to the Permitted Exceptions and the Declaration, and (iii) the sale/purchase must be closed within sixty (60) days after the date of the written notice from Lessee to Lessor of Lessee's intent to purchase.

34.4 LESSEE'S RIGHT OF FIRST OFFER. So long as Lessee is not in default under the terms of this Lease, the Other Lease and the Tenant Leases, during the Term of this Lease, Lessee shall have a right of first offer to purchase the Leased Property in the event Lessor decides to sell the Leased Property to a third party. Lessor shall give Lessee notice of its intent to sell the Leased Property. Lessee shall notify Lessor in writing no later than the fifteen (15) days after the date of such notice from the Lessor of its intention to purchase the Leased Property and such notice shall specifically set forth the terms and conditions of such proposed purchase. If Lessee makes an offer acceptable to Lessor, Lessee must close such purchase within forty-five (45) days of Lessor's acceptance of Lessee's offer or the Lessee's rights under this Section 34.4 shall be null and void. In the event Lessee exercises such option to purchase the Leased Property, (i) the terms set forth in Article XVIII shall apply, and (ii) the deed conveying the property to Lessee shall be subject only to the Permitted Exceptions and the Declarations.

34.5 LESSEE'S FEE ON REFINANCING. Should the Lessee cause an investment grade credit rated guarantor to guarantee this Lease and Lessor sells the Leased Property at a cap rate below 9.65%, Lessor will pay to the Developer as funds are received by Lessor twenty-five percent (25%) of the additional sales proceeds generated from the sale at the lower cap rate versus what a sale would have generated using a 9.65% cap rate for the Leased Property. A discount in the same amount will be credited to Lessee herein should Lessee exercise any right to purchase the Leased Property as provided herein.

34.6 SURVIVAL. Lessee's purchase rights under this Article 34 or elsewhere in this Lease shall survive the sale or conveyance of the Facility and shall run with this Lease in favor of Lessee's successors and assigns.

ARTICLE XXXV

DEFAULT BY LESSOR

35.1 DEFAULT BY LESSOR. Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any

such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

35.2 DEFAULT BY LESSOR UNDER DEVELOPMENT AGREEMENT. In the event Lessor defaults under the terms of the Development Agreement, then in such event Lessee shall provide written notice of such default to Lessor. Upon the expiration of ninety (90) days following the giving of such notice, if Lessor (i) has failed to cure such default or (ii) in the case of a default (other than the payment of money) which by its nature cannot be completely cured within such ninety (90) day period, Lessor does not within such period commence to cure the default, and diligently pursue and complete the cure in a reasonable period of time, then in either such event, Lessee may cure such default and perform the obligations of Lessor which have not been fully performed. Lessor shall immediately upon demand reimburse Lessee for all reasonable out-of-pocket costs and expenses incurred by Lessee in connection with the foregoing cure. The aforesaid ninety (90) day period of time permitted for Lessor to cure its default shall be extended if the default cannot be cured within the time period allowed herein, so long as Lessor is diligently attempting to cure. Such cure period shall also be extended for a reasonable period of time during which Lessor is delayed in, or prevented from, curing due to fire or other casualty, acts of God, strikes, lockouts, power shortages or outages, enactment, adoption, or promulgation of new laws, or the application or enforcement of laws.

35.3 LESSEE'S RIGHT TO CURE. Subject to the provisions of Section 35.1 and 35.2, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 35.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 35.3 shall survive the termination of this Lease.

ARTICLE XXXVI

ARBITRATION

[Intentionally Omitted]

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at

any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor and Lessor's successor and assigns, further agree that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver, and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, subject to the provisions of Section 39.18 hereof, 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or the Other Lease, or the applicable subleases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein or therein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor'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.

Subject to the provisions of Section 39.18 hereof, Lessor will obtain from the holder of any mortgage or deed of trust existing as of the date of this Lease that encumbers the Leased Property to execute and deliver to Lessee a non-disturbance agreement confirming the provisions of subparagraphs (a) through (c) of this Article XXXVIII.

ARTICLE XXXIX

MISCELLANEOUS

39.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum

permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

39.2 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, and except as prohibited by law, Lessee shall transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

39.3 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

39.4 ENTIRE AGREEMENT; MODIFICATIONS. This Lease embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior to contemporaneous agreements, understandings, representations and statements (oral or written) are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

39.5 GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

39.6 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly as set out in the Purchase Agreement; provided, however, such purchaser shall be subject to the same restrictions imposed upon Lessor hereunder and Lessee's rights to purchase the Leased Property as described in Article 34 or elsewhere in this Lease shall survive any such transfer. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property, nor shall Lessor transfer any partnership interest in itself or any interest in its general partnership, to a Direct Competitor of Lessee, without the consent of the Lessee, which consent shall not be unreasonably withheld, conditioned or delayed.

39.7 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase upon terms mutually agreeable to Lessor and Lessee.

39.8 REFINANCING OF FACILITY. In the event Lessor refinances the Facility in an amount greater than the amount of any original financing of the Facility, and Lessee causes an investment grade credit rated guarantor to guarantee this Lease in connection with such refinancing, as provided in Section 34.5 hereof, then Lessee shall be entitled to receive a credit enhancement fee equal to one percent (1%) of the amount of such refinancing.

39.9 SUBORDINATION OF LESSEE AND GUARANTORS. Lessee and Guarantors agree that, unless otherwise expressly set forth herein all fees due and payable under any Management Agreements relating to the Leased Property shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into relating to the Leased Property shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

39.10 LETTER OF CREDIT. Simultaneously with the execution and delivery of this Lease to Lessor, Lessee has arranged to purchase a certificate of deposit (the "CD") in the amount of One Million Nine Hundred Five Thousand Two Hundred Thirty Four and No/100 Dollars (\$1,905,234.00) with SouthTrust Bank, N.A. At the end of the Construction Period, Lessee shall obtain and deliver to the Lessor an unconditional and irrevocable letter of credit from a bank acceptable to the Lessor (the "Letter of Credit") naming Lessor beneficiary thereunder, in an amount equal to One Million Nine Hundred Five Thousand Two Hundred Thirty Four and No/100 Dollars (\$1,905,234.00), which Letter of Credit shall be substituted for the CD and the pledge of the CD shall be released. Subject to the provisions in the next succeeding sentence, the Letter of Credit shall remain outstanding for the entire term of this Lease. Notwithstanding the foregoing, the Letter of Credit shall be released in two increments of fifty percent (50%) of the total amount of the Letter of Credit over the two (2) year period following the Burn-Off Date (as herein defined), at such time as the Lessee generates a total Rent coverage (which Rent, for this purpose shall not include Additional Charges) from EBITDAR of at least two hundred percent (200%) for twelve (12) consecutive months (the date on which Lessee meets such coverage ratio being referred to herein as the "Burn-Off Date"); provided, however, that such Letter of Credit shall be reinstated within fifteen (15) days following the end of any Fiscal Quarter in which Lessee fails to so generate a total Rent coverage of at least two hundred percent (20%) for such Fiscal Quarter.

Lessee hereby grants to Lessor a security interest in the CD and shall promptly furnish Lessor with evidence that the CD has been obtained. Lessee shall, within fifteen (15) days from the date hereof, execute all documents (including, without limitation, all bank/lender required documents) necessary for Lessor to evidence and perfect its security interest in the CD.

In addition to the pledge of the CD and delivery of the Letter of Credit, Lessee has obtained and delivered to the Lessor simultaneously with the Lessee's execution of this Lease the Triumph CD as described in Section 23.1 of this Lease.

39.11 ADDITIONAL LETTER OF CREDIT. In the event Lessee 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 Lessor as a beneficiary thereunder and shall be in a form reasonably acceptable to Lessor. Lessee hereby grants to Lessor a security interest in the Additional Letter of Credit. Lessee shall, within fifteen (15) day from the end of the Construction Period, execute all documents (including, without limitation, all bank/lender required documents) necessary for Lessor to perfect its security interest in the Additional Letter of Credit.

39.12 PURCHASE OF ADDITIONAL REAL ESTATE; RIGHT OF FIRST OFFER AND OPTION TO PURCHASE ADDITIONAL REAL ESTATE.

(a) Lessor has purchased, or shall purchase promptly upon the execution of this Lease, the Additional Real Estate and the total purchase price paid by the Lessor for the Additional Real Estate shall be added to the Total Development Costs and paid pursuant to Section 3.1 of this Lease.

(b) So long as Lessee is not in default hereunder and there is no default under the Other Lease and the Tenant Leases, beyond all applicable notice and cure periods, Lessee shall have a right of first offer to purchase all (or a portion thereof) of the undeveloped Additional Real Estate not used for the construction or in connection with the use of the Facility or the MOB Facility in the event Lessor decides to sell same to a third party. Lessor shall give Lessee written notice of its intent to sell. Lessee shall notify Lessor in writing no later than thirty (30) days after such notice from Lessor of its intention to purchase such Additional Real Estate and such notice shall specifically set forth the terms and conditions of such proposed purchase; provided, however, at a minimum the purchase price shall not be less than the purchase price paid by Lessor for such Additional Real Estate (pro rated per acre). If Lessee makes an offer acceptable to Lessor, Lessee must close such purchase in accordance with Article XVIII hereof and within ninety (90) days of Lessor's acceptance of Lessee's offer, or Lessee's rights under this Section 39.12 shall be null and void.

(c) So long as Lessee is not in default hereunder and there is no default under the Other Lease and the Tenant Leases, beyond all applicable notice and cure periods, Lessee shall have the right and option to purchase all (or a portion thereof) of the undeveloped Additional Real Estate not used for the construction of or in connection with the use of the Facility or the MOB Facility. The purchase price for such undeveloped Additional Real Estate shall be the purchase price paid by the Lessor for such Additional Real Estate (pro rated per acre). Lessee shall notify Lessor in writing of its intent to purchase and the purchase shall be closed in accordance with Article XVIII hereof, within ninety (90) days from the date of such notice, or Lessee's rights under this Section 39.12 shall be null and void.

(d) Lessee shall not develop the Additional Real Estate unless and until the Lessee purchases the Additional Real Estate as provided herein. Lessee hereby grants Lessor a right of first refusal with respect to the financing of any such development. Lessee shall provide Lessor prompt notice of its intent to develop the Additional Real Estate and shall include the proposed terms thereof. Lessor shall have fifteen (15) days from receipt of such notice in which to exercise the foregoing right of first refusal. So long as Lessee is not in default under the terms of this Lease and there is no default under the Other Lease and/or Tenant Leases beyond all applicable cure periods, Lessor agrees that it will not develop or sell the Additional Real Estate for a period of thirty-six (36) months after the date on which the certificate of occupancy has been issued for the operation of a general acute care hospital facility on the Leased Property.

(e) In the event Lessee elects to purchase the Additional Real Estate in portions, Lessee shall, at its expense, be responsible for complying with all subdivision rules and regulations relating to the Additional Real Estate and shall provide to Lessor prior to the closing of such purchase an ALTA survey and a title insurance commitment/policy of the portion of the Additional Real Estate being purchased.

39.13 CHANGE IN OWNERSHIP/CONTROL. So long as this Lease remains in effect, Lessee shall not permit more than five percent (5%) of its ownership to be held by persons other than (i) its general partner and Affiliates of its general partner, and (ii) individuals who are licensed physicians or entities comprised of individuals who are licensed physicians actively practicing full time clinical medicine in Houston, Texas, some of whom have active staff privileges at the Facility, and the aggregate ownership of the limited partners shall not be reduced below the aggregate ownership of the limited partners as of the date hereof.

39.14 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessor and MPT have the right of access to the Facility and all documentation and information relating to the Facility and have the right to disclose any information regarding this Lease, the Lessee, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

39.15 LESSEE APPROVAL RIGHTS. Notwithstanding anything contained herein to the contrary, Lessor acknowledges and agrees that Lessee shall have the right to approve all of the following, which approval Lessee shall not unreasonably withhold, condition or delay. In the event Lessee fails to provide its written approval of such items within fifteen (15) days after request, such items shall be deemed to have been approved. All of the capitalized terms in quotation marks in this Section 39.15 shall have the meaning ascribed in the Development Agreement, except as otherwise indicated. In the event of a conflict between the provisions of this Section 39.15 and any other provision of this Lease, the provisions of this Section 39.15 shall control.

(a) All of the material terms and conditions of the "Governmental Development Approvals" and "Governmental Use Approvals."

(b) The general contract with the "Contractor" for construction of the Leased Improvements, the contract for architectural services with the "Architect" for the design of the Leased Improvements and the contract for engineering services for the Leased Improvements with the "Engineer." Such rights to approve the foregoing contracts shall include, without limitation, the rights to approve the insurance coverage provided for all such services, including, without limitation, professional errors and omissions insurance.

(c) The "Final Construction Schedule" and the "Final Project Budget."

(d) The "Plans and Specifications."

(e) All "Change Orders" and "Construction Change Directives" (as such terms may be defined in the general contract for construction described above in Section 39.15(b)).

(f) Following the issuance of the Architect's certificate of "Final Completion" with respect to the Leased Improvements, Lessee may inspect the Leased Improvements and prepare and deliver to Lessor its punch list ("Punch List") setting forth all incomplete, defective or other items of construction not in conformity with the Plans and Specifications. Lessor will deliver such Punch List to the Developer for completion in accordance with the provisions of Section 5(c) of the Development Agreement.

39.16 PURCHASE OF GROUND LEASED LAND. So long as Lessee is not in default hereunder beyond all applicable cure periods, Lessor will exercise its right to purchase the Ground Leased Land pursuant to the terms of the Ground Lease. The total purchase price and all costs and expenses to purchase the Ground Leased Land shall be added to the Total Development Costs and Rent due hereunder shall increase in proportion to the increase in the Total Development Costs resulting from such purchase. In connection with the purchase of the Ground Leased Land, the Lessee has entered into that certain Escrow Agreement dated June ____, 2004 (the "Escrow Agreement"), with Ground Lessor, whereby all of the conveyance documents related to the purchase of the Ground Leased Land have been placed in escrow with the Escrow Agent named in the Escrow Agreement. The Escrow Agreement is non-assignable; however, Lessee hereby covenants and agrees to enforce all of its rights and perform all of its obligations under the Escrow Agreement for the benefit of the Lessor so that the Lessor may purchase the Ground Leased Land as provided in this Lease and the Ground Lease.

39.17 RELOCATION OF PARKING AREAS. After obtaining Lessor's prior written consent, which consent shall not be unreasonably withheld, Lessee shall have the right, at Lessee's sole cost and expense and without placing or causing to be placed liens or indebtedness on the Leased Property, to relocate all or a portion of the approximately two hundred (200) parking spaces to be constructed on the Parking Tract to a mutually satisfactory location on the Additional Property, so long as (i) Lessee is not in default under the terms of this Lease, the Other Lease and/or the Tenant Leases beyond all applicable cure periods, (ii) such relocation does not violate any Legal Requirements, (iii) Lessee has purchased that portion of the Additional Property on which the parking will be relocated, and (iv) Lessee, at its cost and expense, at Lessor's request and within a reasonable time after Lessor's request, returns the Parking Tract to the condition in which it was in on the date hereof.

39.18 NONDISTURBANCE OF SUBLESSEES OR SUBTENANTS BY LESSOR. Except as may be required under Article XV (Condemnation) hereof, Lessor agrees that in the event of the termination of this Lease because of any breach or default by Lessee, Lessor will not terminate a sublease previously approved by the Lessor, if such sublease is in full force and effect, or otherwise disturb the possession or leasehold rights of the sublessee under the sublease, provided that such sublessee is not in default beyond applicable notice and cure periods (which shall not exceed thirty (30) days) of the sublease. Notwithstanding anything contained herein to the contrary, Lessor's agreement not to terminate the sublease or disturb the possession or leasehold rights of the sublessee is expressly conditioned upon (i) Lessor receiving from the sublessee a subordination and attornment agreement in a form reasonably satisfactory to the Lessor, (ii) sublessee not being in default under the terms of the sublease, (iii) the sublease being in compliance with the requirements of Article XIII (Subletting and Assignment) of this Lease, (iv) all guarantors of the sublease executing and delivering to the Lessor a Guaranty substantially in the form attached to the sublease whereby the guarantor unconditionally and absolutely guarantees to the Lessor the payment and performance of the obligations under the sublease, (v) sublessee executing and delivering to Lessor within a time period to be determined by the Lessor (not to be less than five (5) business days) a subordination and attornment agreement in favor of the Lessor in form satisfactory to Lessor (which shall, at a minimum, require the sublessee and the guarantor of the sublease to deliver to Lessor the financial statements required under the sublease and within a time period to be determined by the Lessor. Notwithstanding anything contained herein, any modifications or amendments of the subleases shall not be binding on Lessor unless Lessor consents to the same and such modifications or amendments are not in violation of Article XXIII (Subletting and Assignment) hereof.

39.19 RESTRICTIVE USE COVENANTS. At the time Lessor purchases the Ground Leased Land pursuant to Section 39.16 hereof, Lessor will execute the Declarations and promptly record same in the office of the Deed of Records of Harris County, Texas. Lessor agrees to enforce the restrictive use covenants and restrictions set forth in the Declarations relating to the Facility, and Lessee covenants and agrees to comply therewith. So long as Lessee is not in default under this Lease beyond any applicable cure period, Lessor shall not amend the Declarations or add any restrictive covenants encumbering the Leased Property without Lessee's consent, not to be unreasonably withheld, conditioned or delayed.

39.20 TEXAS DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT. Lessor and Lessee each acknowledge, on its own behalf and on behalf of its successors and assigns, that the Texas Deceptive Trade Practices-Consumer Protection Act, Subchapter E of Chapter 17 of the Texas Business and Commerce Code ("DTPA"), is not applicable to this Lease. Accordingly, the rights and remedies of Lessor and Lessee with respect to all acts or practices of the other, past, present or future, in connection with this Lease shall be governed by legal principles other than the DTPA. Lessor and Lessee each hereby waives its rights under the DTPA, a law that gives consumers special rights and protections. After consultation with an attorney of its own selection, Lessor and Lessee, respectively, voluntarily consent to this waiver.

39.21 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

ARTICLE XL

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

MPT WEST HOUSTON HOSPITAL, L.P.

BY: MPT WEST HOUSTON HOSPITAL, LLC
ITS: GENERAL PARTNER

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

BY: MEDICAL PROPERTIES TRUST, LLC
ITS: GENERAL PARTNER

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

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

Its: President & CEO

LESSEE:

STEALTH, L.P.

By: West Houston GP, L.P.,
Its: General Partner

By: West Houston Joint Ventures, Inc.,
Its General Partner

By: /s/ Thomas A. Gallagher

Thomas A. Gallagher

Its: President

GUARANTORS:

WEST HOUSTON GP, L.P.

By: West Houston Joint Ventures, Inc.,
Its General Partner

By: /s/ Thomas A. Gallagher

Thomas A. Gallagher
Its: President

WEST HOUSTON JOINT VENTURES, INC.

By: /s/ Thomas A. Gallagher

Name: Thomas A. Gallagher
Title: President

STATE OF ALABAMA

COUNTY OF JEFFERSON

This instrument was acknowledged before me on this ____ day of _____, 2004, by _____, as _____ of Medical Properties Trust, Inc., the Sole Member of Medical Properties Trust, LLC, as General Partner of MPT Operating Partnership, L.P., as Sole Member of MPT West Houston Hospital, LLC, as General Partner of MPT West Houston Hospital, L.P., a Delaware limited partnership, on behalf of said foregoing named entities.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 2004, by Thomas A. Gallagher, President of West Houston Joint Ventures, Inc., a Tennessee corporation, the general partner of West Houston GP, L.P., a Tennessee limited partnership, the general partner of Stealth, L.P., a Delaware limited partnership, on behalf of said Delaware limited partnership.

WITNESS my hand and official seal.

Notary Public

My Commission Expires: _____

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 2004, by Thomas A. Gallagher, President of West Houston Joint Ventures, Inc., a Tennessee corporation, the general partner of West Houston GP, L.P., a Tennessee limited partnership, on behalf of said Tennessee limited partnership.

WITNESS my hand and official seal.

Notary Public

My Commission Expires:_____

STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 2004, by Thomas A. Gallagher, President of West Houston Joint Ventures, Inc., a Tennessee corporation, on behalf of said Tennessee corporation.

WITNESS my hand and official seal.

Notary Public

My Commission Expires:_____

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
ADDITIONAL REAL ESTATE

EXHIBIT C
PARKING TRACT

EXHIBIT D
PERMITTED EXCEPTIONS

EXHIBIT E
DECLARATIONS

THIRD
AMENDED AND RESTATED
LEASE AGREEMENT

1300 CAMPBELL LANE, LLC
a Delaware limited liability company

Lessor

AND

1300 CAMPBELL LANE OPERATING
COMPANY, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC)

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group)

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC)

BRAD E. HOLLINGER

Guarantors

Property: Rehabilitation Hospital Facility

1300 Campbell Lane

Bowling Green, Kentucky

December _____, 2004

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THIRD
AMENDED AND SECOND RESTATED LEASE AGREEMENT

This THIRD AMENDED AND RESTATED LEASE AGREEMENT (the "Lease") is dated as of the ____ day of December, 2004, and is between 1300 CAMPBELL LANE, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and 1300 CAMPBELL LANE OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, PA 17055.

W I T N E S S E T H:

WHEREAS, Lessor is the current owner of that certain real property located in Bowling Green, Warren County, Kentucky, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon;

WHEREAS, Meditrust of Kentucky, Inc., as Lessor, and Mediplex of Kentucky, Inc. (d/b/a Mediplex Rehab-Bowling Green), as Lessee, entered into a Lease as evidenced by the Short Form Lease dated June 23, 1994 (the "Meditrust/Mediplex Lease"), and recorded in Deed Book 690, Page 263 in the Office of the Clerk of Warren County, Kentucky;

WHEREAS, 1300 Campbell Lane Operating Company, LLC entered into that certain Operations and Transfer Agreement with Mediplex of Kentucky, Inc. d/b/a Mediplex Rehab of Bowling Green whereby in accordance with that certain Stipulation and Order re Resolution of "Motion of THCI Company, LLC to enforce Stipulation and Order and for Emergency Relief" [Docket No. 8320] in the United States Bankruptcy Court for the District of Delaware, Chapter 11, Case No. 99-3657 (JKF), Docket No. 8320, In Re Sun Healthcare Group, Inc., Reorganized Debtor, filed April 21, 2003, Order dated April 28, 2003, the Meditrust/Mediplex Lease was terminated;

WHEREAS, THCI Company, LLC and Tenant entered into that certain Southern Kentucky Rehabilitation Hospital Lease Agreement dated as of May 1, 2003 (the "Original Lease"), which was amended and restated by that certain First Amended and Restated Southern Kentucky Rehabilitation Hospital Lease between THCI Company, LLC and 1300 Campbell Lane Operating Company, LLC, dated as of August 1, 2003 (the "First Amended and Restated Original Lease");

WHEREAS, THCI Company, LLC, a Delaware limited liability Company, as successor in interest to Meditrust of Kentucky, Inc., conveyed the Property to Lessor by Special Warranty Deed dated August 1, 2003, recorded in Deed Book 871, Page 691, in the aforesaid Office;

WHEREAS, Lessor and Lessee entered into that certain Second Amended and Restated Lease Agreement dated July 1, 2004, whereby the First Amended and Restated Original Lease was amended in certain respects (the "Second Amended and Restated Original Lease"), and a Memorandum of Lease Agreement dated July 1, 2004 (the "Memorandum") was executed in connection with such Second Amended and Restated Lease Agreement, which Memorandum was recorded in the Office of the County Clerk, Warren County, Kentucky, on July 9, 2004, in Book D885, Page 872;

WHEREAS, Lessor and Lessee amended the Second Amended and Restated Original Lease by (i) a First Amendment to Second Amended and Restated Lease Agreement dated August 2, 2004, between Lessor and Lessee, and (ii) a Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors (the Second Amended and Restated Original Lease, as amended by the First Amendment and the Letter Amendment, is hereinafter referred to as the "Amended and Restated Original Lease"); and

WHEREAS, Lessor and Lessee desire to further amend and restate the Amended and Restated Original Lease as set forth herein.

NOW, THEREFORE, the parties hereto hereby agree to this Third Amended and Restated Lease Agreement as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) all buildings, structures, Fixtures (as hereinafter defined) 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 Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on July 1, 2004 (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month after the Commencement Date.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under any of the Other Leases, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

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

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 21.1(g).

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

Commencement Date: As defined in Article I.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) executed on June 17, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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.

Coverage Rent: The Initial Base Rent, increased beginning on January 1, 2006, by two and one-half percent (2.5%) per annum as provided in Section 3.1(c).

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

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The licensed rehabilitation hospital facility and all improvements in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

First Amendment: The First Amendment to the Second Amended and Restated Lease Agreement dated August 2, 2004.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Guarantors: Jointly and severally, Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), Vibra Management, LLC (formerly known as Highmark Management, LLC), Senior Real Estate Holdings, LLC, d/b/a The Hollinger Group and Brad E. Hollinger.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors or any Affiliate of Lessee or Guarantors to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws:..All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

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 Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Base Rent: The sum of Three Hundred Twenty-Six Thousand Three Hundred Ninety-One and 25/100 Dollars (\$326,391.25) per month, being Three Million Nine Hundred Sixteen Thousand Six Hundred Ninety-Four and 98/100 Dollars (\$3,916,694.98)per annum.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Initial Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease 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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least Fifty Million Dollars (\$50,000,000).

Lessee: 1300 Campbell Lane Operating Company, a Delaware limited liability company, and its successors and permitted assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (but excluding accounts receivable), and consumable inventory and supplies, used or useful in Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses.

Lessor: 1300 Campbell Lane, LLC, a Delaware limited liability company, and its successors and assigns.

Licenses: As defined in Article XXXIX.

Loan Guarantors: Senior Real Estate Holdings LLC d/b/a The Hollinger Group, Vibra Management, LLC (formerly known as Highmark Management, LLC) and Brad E. Hollinger.

Loan Guaranty: That certain Loan Guaranty to be effective the Commencement Date executed and delivered by Loan Guarantors to MPT Development Services in connection with the Loans.

Loans: The loans made by MPT Operating Partnership, L.P. and MPT Development Services to Vibra and certain of its Affiliates, evidenced by promissory notes and other security documents executed in connection therewith, including any such loans made after the date hereof.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

MPT: shall mean Medical Properties Trust, Inc., an Affiliate of Lessor.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: Any other leases entered into between Lessor or any Affiliate of Lessor and Lessee or Guarantor, or any Affiliate of Lessee and any Guarantor.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, Percentage Rent or any other sums payable under this Lease.

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

Permitted Exceptions: As defined in Article I.

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: That certain Purchase Agreement dated as of May 20, 2004, by and between THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC and THCI Mortgage Holding Company,

LLC, as Seller, and MPT Operating Partnership, L.P., as Purchaser, as Vibra as a permitted assignee thereunder, as amended by those certain letter agreements dated June 3, June 4, June 14, June 29, and August 2, 2004.

Purchase Price: The Initial Purchase Price, plus all costs and expenses incurred after the date of this Third Amended and Restated Lease Agreement, in association with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof), the Percentage Rent and the Additional Charges.

Revenue Threshold: The sum of One Hundred Ten Million and No/100 Dollars (\$110,000,000.00).

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 21.1.

Substitute Properties: As defined in Section 21.1.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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.

Vibra: Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), a Delaware limited liability company, an Affiliate of the Lessee.

ARTICLE III

RENT

3.1 BASE RENT AND PERCENTAGE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firms or corporations as Lessor from time to time may designate in writing, Base Rent and Percentage Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in an amount equal to the sum of Three Hundred Twenty-Six Thousand, Three Hundred Ninety-One and 25/100 Dollars (\$326,391.25) per month, being Three Million, Nine Hundred Sixteen Thousand, Six Hundred Ninety-Four and 98/100 Dollars (\$3,916,694.98) per annum. Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the tenth (10th) day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month); and

(b) PERCENTAGE RENT: So long as the Loans are outstanding, commencing with the calendar year beginning January 1, 2005 and beginning with the calendar month next succeeding the month in which Revenues for the Associated Facilities (as herein defined) exceed the Revenue Threshold (determined on an annualized basis), in addition to the Base Rent, Lessee shall pay to Lessor, subject to adjustment as herein provided, percentage rent (the "Percentage Rent") in an amount equal to two percent (the "Percentage Rate") of Revenues for the preceding month. Percentage Rent shall be payable on the tenth (10th) day following the end of the first fiscal quarter for which such Percentage Rent is payable. Each January 1 during the Term, the Percentage Rate shall be decreased pro rata from two percent (2%) per annum to one percent (1%) per annum based upon the amount of principal reduction made with respect to the Loans as of the end of the previous calendar year, it being understood and agreed that in no event shall the Percentage Rate be less than one percent (1%) per annum. For purposes hereof, the term "Associated Facilities" shall

mean this Facility along with facilities leased by Lessor's Affiliates to Lessee's Affiliates in Kentfield, California, Fresno California, Marlton, New Jersey, New Bedford, Massachusetts, and Thornton Colorado.

(c) ADJUSTMENT OF BASE RENT: Beginning on July 1, 2005, and continuing through December, 2005, Base Rent shall be payable in advance in equal, consecutive monthly installments of Three Hundred Eight-Nine Thousand, Four Hundred Forty and 49/100 Dollars (\$389,440.49) on or before the tenth (10th) day of each calendar month. Commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one half percent (2.5%) per annum of the previous year's Base Rent. If the previous year's Base Rent is for a partial year, Base Rent shall be adjusted as if it were a full year. Notwithstanding anything contained herein to the contrary, with respect to the adjustment of Base Rent for calendar year 2006, the increased Base Rent for calendar year 2006 will be calculated as if the annual rental rate of Four Million, Six Hundred Seventy-Three Thousand, Two Hundred Eighty-Five and 82/100 Dollars (\$4,673,285.82) applied to the entire calendar year 2005. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent, including six (6) months of the Base Rent during calendar year 2005, have been made by multiplying the Initial Purchase Price by 10.25% per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly (including the Base Rent for calendar year 2005, if applicable) before adding and calculating the 2.5% annual increases as set forth above.

3.2 ADDITIONAL CHARGES

In addition to the Base Rent and Percentage Rent, (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, including, without limitation, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent or Percentage Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE

The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, and the payments of Percentage Rent and Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT.

Upon the execution hereof, Lessor shall loan Lessee an amount equal to twenty-five percent (25%) of the first full year's Base Rent (the "Lease Deposit"). The Lease Deposit shall be held by Lessor as security for the

performance by Lessee of Lessee's covenants and obligations under the Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee. Lessor 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 Lessee hereunder or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of any default by Lessee. Following any such use of the Lease Deposit by the Lessor, Lessee shall deliver to Lessor on demand an amount sufficient to restore the aggregate amount held by Lessor, not including any interest earned on the Lease Deposit, to the amount of the original Lease Deposit. If Lessee is not in default at the termination of the Lease, and has complied with all of the provisions of this Lease to be performed by Lessee, including surrender of the Leased Property in accordance with the provisions hereof and has repaid the loan of the Lease Deposit, the Lease Deposit, not including any interest earned on such Lease Deposit, shall be returned by Lessor to Lessee, subject to any draws which have previously been made by Lessor against the Lease Deposit and not replenished by the Lessee. Lessee will not assign or encumber Lessee's interest in the Lease Deposit, and neither Lessor nor Lessor's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Any interest earned on the Lease Deposit will be for the sole benefit of the Lessor and shall not in any way reduce any amounts owed by Lessee under the terms hereof.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS

Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by

Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT

The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY

Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY

Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to Section 35.2 hereof and the conditions set forth below,

remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY

Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals, Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a rehabilitation hospital facility.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon as a rehabilitation hospital facility and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion, provided however, that Lessee shall be permitted to sublease a portion of the Leased Property for provision of therapy or physician office space without Lessor's consent so long as the sublease otherwise complies with the provisions of Article VIII, Article XXIV and Article XL hereof. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or

company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only in accordance with its Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS

Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS

Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS

Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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

No Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above.

8.4 HEALTHCARE LAWS

Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, 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 renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations.

Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of any of the above representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES

Lessee and each Guarantor represents and warrants to the Lessor that as of the date hereof as follows: (i) if applicable, such person or entity is a duly organized and existing limited liability company or limited partnership and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of such person or entity, enforceable in accordance with their terms, (ii) neither the entering into this Lease nor the performance by such person or entity of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon such person or entity, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents

referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of such person or entity, threatened against or affecting, such person or entity or any of its affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of such person or entity or the ability of such person or entity to perform its obligations under this Lease or the other documents referred to herein, and (v) such person or entity and each of its affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross

negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

(e) Commencing on July 1, 2005, Lessee shall make quarterly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on July 1, 2005, shall be pro rated based upon one half of a year. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Hospital). The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2.50% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee 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; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY

(a) If no Event of Default shall have occurred or be continuing under this Lease or the Other Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) provide to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE

If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may reasonably request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans, other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS

Subject to Section 9.1(a), Lessee 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 Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE

All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIV, (f) 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, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (h) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars

(\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS

During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed reasonably necessary by the Lessor and as described below. This insurance shall be written by companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-XII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. 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 Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, Lessee shall use its best efforts to obtain a policy which does contain such waiver, provided the same is obtainable at commercially reasonable rates; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date), (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. In addition, the policies shall name as an additional insured the holder ("Facility Mortgage") 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. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee'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 Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) per occurrence. Further, in the event of a loss, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor of any loss in the amount of Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater.

(b) Flood and earthquake insurance (rated A-VIII) shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(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 subparagraph 13.1(a) above, or under a separate policy.

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) 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 Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities 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 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.

(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 Five Million and 00/100 Dollars (\$5,000,000.00) 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 or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay one-half (1/2) the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE

In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably 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 Lessee on the Leased Property, 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 Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form reasonably satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies to Lessor at the

times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that (i) it will give to Lessor sixty (60) days' prior written notice (at Lessor's address as specified in Article XXXIII hereof {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled, (ii) the policy will not lapse, terminate, be canceled or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at Lessor's Notice Address, (iii) in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXIII hereof.

13.5 INCREASE IN LIMITS

In the event that Lessor shall at any time in its reasonable discretion 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 Section. 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 Section, Lessee'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 Lessee provided that

(a) Any such blanket policy or policies are reasonably acceptable to and have been approved by the Lessor, which approval shall not be unreasonably withheld;

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts reasonably acceptable to Lessor.

13.7 NO SEPARATE INSURANCE

Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS

All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XXI below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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, Lessee may either (i) offer pursuant to Article XXII to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor

(or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XXI and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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 Lessee 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, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XXII. Otherwise, if the Facility is totally or materially destroyed by a risk not covered by such insurance, this Lease shall terminate unless either party gives the other written notice within ninety (90) days of the destruction that the notifying party elects to restore the Facility at the notifying party's expense, in which event this Lease shall remain in full force and effect. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

14.4 LESSEE'S PERSONAL PROPERTY

All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property or Capital Additions financed by Lessee shall be paid to Lessor and Lessor shall hold such insurance proceeds in trust to pay the cost of repairing or replacing the damage to Lessee's Personal Property or the Capital Additions financed by Lessee.

14.5 RESTORATION OF LESSEE'S PROPERTY

If Lessee is required or elects to restore the Facility as provided in Sections 14.2 or 14.3, Lessee shall also restore all alterations and improvements made by Lessee, Lessee's Personal Property and all Capital Additions paid for by Lessee.

14.6 NO ABATEMENT OF RENT

This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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 OF PURCHASE

Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Lessee under this Lease to be terminated and to be without further force or effect.

14.9 WAIVER

Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS

"Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS

If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING

If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING

If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

15.5 RESTORATION

If there is a partial Taking of the Leased Property and this Lease remains in full force and effect pursuant to Section 15.4, Lessee shall accomplish all necessary restoration.

15.6 AWARD DISTRIBUTION

In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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 and Percentage 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) a default or event of default shall occur under any of the Other Leases, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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) if Guarantor's total debt is more than the greater of (i) one hundred percent (100%) of the total capitalization of the Guarantor, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantor, whichever is greater, or

(vii) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(viii) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(ix) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(x) the abandonment or vacation of the Leased Property by Lessee. Lessee's absence from the Leased Property for ninety (90) consecutive days shall constitute abandonment.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or Vibra 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 twenty (20) days after receipt by Lessee of notice from Lessor thereof, or

(j) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor and Lessee or any Guarantor or any Affiliate of Lessee or any Guarantor, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a default shall occur under any of the Loans, or

(n) if a default shall occur under the Loan Guaranty.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may

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

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

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

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for herein:

(a) If the total required payments with respect to the total indebtedness of the Lessee when added to the Coverage Rent generates a coverage ratio to the Leased Property's EBITDAR of less than one hundred twenty-five percent (125%) for two consecutive fiscal quarters determined on an annualized basis, or

(b) The Lessee generates a Coverage Rent lease coverage from EBITDAR of less than one hundred fifty percent (150%) for two consecutive fiscal quarters determined on an annualized basis, or

(c) If the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(d) If the parent company of the Lessee makes a payment default on any of its corporate debt or other leases and such default is not cured within the cure periods provided for therein.

then the Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems needed, including, but not limited to, selling the Lessee's interest to a third party.

Upon the occurrence of any of the items in Section 16.1 or this Section 16.2, Lessor may, at its option, require Lessee to cancel the Management Agreement and to replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES

It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED

16.5 WAIVER

If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS

Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR

The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably

designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST

Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least ten (10) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's reasonable

opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

SUBSTITUTION OF PROPERTY

21.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY

If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuitable for its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XXI, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Base Rent Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably appraised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XXI.

(c) If Lessee gives the notice referred to in Section 21.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 21.2 and Section 21.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XXI, including without limitation the provisions of Sections 21.1(d), (e) and (f) below, the matter shall be submitted to arbitration at Lessor's

discretion and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 21.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties, any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to

exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

21.2 CONDITIONS TO SUBSTITUTION

On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with full warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 21.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

21.3 CONVEYANCE TO LESSEE

On the Substitution Date or the date specified in the notice given pursuant to Section 21.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 21.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

21.4 EXPENSES

Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel and consultants, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) reasonable fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, if any, (h) title insurance charges, and (i) escrow fees. Lessee shall also pay for and obtain all necessary regulatory approvals including licensing, surveys and certificates of need for the Substitute Property.

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

Notwithstanding the existence of any insurance or self insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self insurance, Lessee will protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor by reason of: (a) any accident, injury to or death of persons or loss of percentage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims of malpractice, (b) any use, misuse, no use, condition, maintenance or repair by Lessee

of the Leased Property, (c) any Impositions (which are the obligations of Lessee to pay pursuant to the applicable provisions of this Lease), (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord (Lessee) thereunder. Any amounts which become payable by Lessee under this Section shall be paid within fifteen (15) days after liability therefor on the part of Lessor is determined by litigation or otherwise and, if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct. Lessee's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXIV

SUBLETTING AND ASSIGNMENT; SUBORDINATION

24.1 SUBLETTING AND ASSIGNMENT

Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, that Lessee shall have the right to assign the Lease or sublease the Leased Property to an Affiliate without Lessor's prior written consent. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance reasonably satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described in Article XXXII hereof and such leases and subleases are deemed approved by Lessor under this paragraph.

24.2 ATTORNTMENT

Lessee shall insert in each sublease permitted under Section 24.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

24.3 SUBLEASE LIMITATION

Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws.

24.4 SUBORDINATION

Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessee 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. Lessee 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, which subordination agreement shall be in such form and content as is reasonably acceptable to Lessor.

ARTICLE XXV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors (excluding Brad E. Hollinger) and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations performed in the Facility, certified to be true and correct by an officer of Lessee and the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exist certain leases and subleases on the Leased Property (the "Tenant Leases") which are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Tenant Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: 1300 Campbell Lane Operating Company, LLC
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Mr. Brad E. Hollinger
Fax: (717) 591-5710

with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361

(b) if to Lessor: 1300 Campbell Lane, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 OPTION TO PURCHASE

So long as Lessee is not in default under the terms of this Lease or the Other Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within three hundred sixty-five (365) days prior to the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Purchase Price (increased at the rate of two and one-half percent (2.5%) per annum from the Commencement Date). Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, the terms set forth in Article XVIII shall apply. If Lessee does not exercise Lessee's option to purchase within said three hundred sixty-five (365) day period, Lessor shall be free after the expiration of said three hundred sixty-five (365) day period to sell the Leased Property to any party.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

DEFAULT BY LESSOR

36.1 DEFAULT BY LESSOR

Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

36.2 LESSEE'S RIGHT TO CURE

Subject to the provisions of Section 36.1, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 36.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 36.2 shall survive the termination of this Lease.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR

Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit,

derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form reasonably acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee and 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or any of the Other Leases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor's representations, warranties and agreements set forth herein or therein; 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 XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations 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.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee 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 Lessor or to Lessor's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Lessee shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Lessor or any new lessee or operator selected by Lessor, it being understood and agreed that such cooperation shall include, without limitation, (a) Lessee's assignment, if and to the extent allowed by law, to Lessor or Lessor's new lessee or operator of any and all Licenses, (b) Lessee'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 Lessor. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee. The provisions of this Section are in addition to the other provisions of this Lease.

It is an integral condition of this Lease that Lessee 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.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to provide documentation and sign, and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for the express purpose of signing, acknowledging and/or delivering any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all rehabilitation hospital licenses, Department of Human Services of the State of Kentucky ("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 Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (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 Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of Kentucky, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHHS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Leased Property as a licensed and Medicare and/or Medicaid certified rehabilitation hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL

Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

41.2 TRANSFER OF LICENSES

Upon the expiration or earlier termination of the Term, Lessee shall, if and to the extent allowed by law, transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits, licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or

useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

41.3 LESSOR'S EXPENSES

In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including reasonable legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

41.4 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), including, without limitation, the First Amendment and the Letter Amendment, are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.5 GUARANTY

At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

41.6 LESSOR'S RIGHT TO SELL

Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property to a direct competitor of Lessee, without the consent of Lessee, which consent shall not be unreasonably withheld. For the purposes of this Section 41.6, the term "direct competitor" shall mean an entity operating a rehabilitation hospital.

41.7 FUTURE FINANCING

Lessee hereby agrees that if at any time during the Term the Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, or if Lessee wishes to expand or renovate the Leased Property or any other facilities leased to the Lessee under the Other Leases, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee.

41.8 SUBORDINATION OF LESSEE AND GUARANTORS

Lessee and Guarantors agree that (a) all indebtedness owed by Lessee under all agreements executed in connection with the Lessee's financing of certain personal property to be used in connection with the operation of the Facility, and (b) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements

executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

41.9 LESSOR SECURITIES OFFERING AND FILINGS

Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessee shall furnish Lessor with such financial and other information as Lessor shall request and Lessor and MPT 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 Commitment Letter, the Lessee, the Guarantors, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

41.10 LESSEE'S OBLIGATIONS UNDER PURCHASE AGREEMENT

Lessee shall perform all of its obligations under Sections 6.3, 6.4, 6.5, 6.6, 7.1(b), 7.4, 7.5, 7.8, 8.4(c) and 11.3 of the Purchase Agreement and, if requested to do so by Lessor, shall respond timely to all requests regarding such performance by the selling parties under the Purchase Agreement.

41.11 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.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

1300 CAMPEBLL LANE, LLC,
a Delaware limited liability company

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

Signed and Acknowledged
in the presence of:

/s/ Michael G. Stewart

Printed: /s/ Michael G. Stewart

LESSEE:

1300 CAMPBELL LANE OPERATING
COMPANY, LLC, a Delaware limited liability
company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

Signed and Acknowledged
in the presence of:

/s/ Michael G. Stewart

Printed: /s/ Michael G. Stewart

GUARANTORS:

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

Signed and Acknowledged
in the presence of:

/s/ Michael G. Stewart

Printed: /s/ Michael G. Stewart

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group), a Delaware
limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

Signed and Acknowledged
in the presence of:

/s/ Michael G. Stewart

Printed: /s/ Michael G. Stewart

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

Signed and Acknowledged
in the presence of:

/s/ Michael G. Stewart

Printed: /s/ Michael G. Stewart

/s/ Brad E. Hollinger

BRAD E. HOLLINGER

Signed and Acknowledged
in the presence of:

/s/ Michael G. Stewart

Printed: /s/ Michael G. Stewart

STATE OF ALABAMA
JEFFERSON COUNTY

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by EDWARD K. ALDAG, JR., the President and Chief Executive Officer of MPT Operating Partnership, L.P., the Sole Member of 1300 CAMPBELL LANE, LLC, a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed and said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of 1300 CAMPBELL LANE OPERATING COMPANY, LLC, a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of VIBRA HEALTHCARE, LLC (FORMERLY KNOWN AS HIGHMARK HEALTHCARE, LLC), a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of SENIOR REAL ESTATE HOLDINGS, LLC (D/B/A THE HOLLINGER GROUP), a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of VIBRA MANAGEMENT, LLC (FORMERLY KNOWN AS HIGHMARK MANAGEMENT, LLC), a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER who did acknowledge that the same was his free act and deed individually.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C

BOWLING GREEN, KENTUCKY

FIRST AMENDMENT TO
THIRD AMENDED AND RESTATED LEASE AGREEMENT

THIS FIRST AMENDMENT TO THIRD AMENDED AND RESTATED LEASE AGREEMENT (the "First Amendment") is made and entered into on this the 31st day of December, 2004, by and between 1300 CAMPBELL LANE, LLC, a Delaware limited liability company ("Lessor"), and 1300 CAMPBELL LANE OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee") as follows:

R E C I T A L S:

A. Lessor and Lessee entered into that certain Third Amended and Restated Lease Agreement dated as of December 20, 2004 (the "Lease"), whereby the Lessor leased to Lessee certain leased property, including the real property located in Kentfield, Marin County, California, as described in the Lease.

B. Lessor and Lessee desire to amend the terms, conditions and provisions of the Lease.

NOW, THEREFORE, in consideration of mutual covenants, conditions and agreements herein contained, the parties hereto agree that the Lease is hereby amended as follows:

1. AMENDMENT.

Article XXI ("Substitution of Property") is hereby deleted in its entirety, and all references in the Lease to the substitution of property and the "substituted property" are hereby deleted in their entirety.

2. REPRESENTATION. Lessee represents and warrants that no consents, approvals or notices are required to be obtained from or given to any persons in connection with the execution of this First Amendment.

3. NO DEFAULTS. Lessee represents and warrants that all representations and warranties set forth in the Lease are true and correct at the date hereof and that there are no defaults or events of default under the Lease.

4. RATIFICATION. Except as expressly amended hereby, the Lease is hereby confirmed and ratified in all respects by each of the parties thereto.

5. MISCELLANEOUS.

(a) Lessee acknowledges, represents and warrants that the officer of the Lessee, whose name is signed to this First Amendment, has been duly and properly authorized by the Lessee to sign this First Amendment for and on behalf of the Lessee.

(b) This First Amendment may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument.

[See Following Page for Signatures]

IN WITNESS WHEREOF, Lessor and Lessee have executed this First Amendment to be effective as of the date first written above.

LESSOR:

1300 CAMPBELL LANE, LLC,
a Delaware limited liability company

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Its: Executive Vice President and
Chief Financial Officer

LESSEE:

1300 CAMPBELL LANE
OPERATING COMPANY, LLC,
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

STATE OF ALABAMA
JEFFERSON COUNTY

The foregoing instrument was acknowledged before me on this ____ day of _____, 200____, by R. Steven Hamner, as the Executive Vice President and Chief Financial Officer of MPT Operating Partnership, L.P., as the Sole Member of 1300 Campbell Lane, LLC, a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

STATE OF _____
_____ COUNTY

The foregoing instrument was acknowledged before me on this ____ day of _____, 200____, by Brad E. Hollinger, the President of 1300 Campbell Lane Operating Company, LLC, a Delaware limited liability company, who did acknowledge that the same was his free act and deed individually and as such officer, and the same act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

SECOND
AMENDED AND RESTATED
LEASE AGREEMENT

92 BRICK ROAD, LLC
a Delaware limited liability company

Lessor

AND

92 BRICK ROAD OPERATING
COMPANY, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC)

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group)

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC)

BRAD E. HOLLINGER

Guarantors

Property: Rehabilitation Hospital Facility
92 Brick Road
Marlton, New Jersey

December 20, 2004

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SECOND
AMENDED AND RESTATED LEASE AGREEMENT

This SECOND AMENDED AND RESTATED LEASE AGREEMENT (the "Lease") is dated as of the ____ day of December, 2004, and is between 92 BRICK ROAD, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and 92 BRICK ROAD OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, PA 17055.

W I T N E S S E T H:

WHEREAS, a Ground Lease dated July 15, 1993 (the "Ground Lease") was entered into between West Jersey Health System ("WJHS"), a New Jersey non-profit corporation, as Lessor, and West Jersey/Mediplex Rehabilitation Limited Partnership, a New Jersey limited partnership, as Lessee ("WJMRLP Lessee") as evidenced by that certain Memorandum of Ground Lease dated September 22, 1993, recorded April 14, 1994 in Deed Book 4725, page 56 in the office of the Clerk of Burlington County, New Jersey, whereby WJHS leased to WJMRLP Lessee the real property described on Exhibit A attached hereto and incorporated herein by reference (the "Property") as affected by that certain assignment and assumption of Ground Lease dated September 30, 1995, recorded March 19, 1996 in Deed Book 5122, Page 256 between WJMRLP Lessee and Meditrust of New Jersey, Inc.;

WHEREAS, WJMRLP Lessee and 92 Brick Road Operating Company, LLC entered into that certain Operations and Transfer Agreement dated April 18, 2003 whereby in accordance with that certain Stipulation and Order re Resolution of "Motion of THCI Company, LLC to enforce Stipulation and Order and for Emergency Relief" [Docket No. 8320] in the United States Bankruptcy Court for the District of Delaware, Chapter 11, Case No. 99-3657 (JKF), Docket No. 8320, In Re Sun Healthcare Group, Inc., Reorganized Debtor, filed April 21, 2003, Order dated April 28, 2003;

WHEREAS, THCI Company LLC, successor in interest to Meditrust of New Jersey, Inc., assigned all of its rights under the Ground Lease to 92 Brick Road, LLC, by an Assignment and Assumption of Ground Lease dated May 11, 2004, recorded on May 20, 2004 in Deed Book 6169, Page 608, in the Clerk's Office of the County of Burlington, New Jersey;

WHEREAS, THCI Company, LLC and 92 Brick Road Operating Company, LLC entered into that certain Marlton Rehabilitation Hospital Lease dated as of May 1, 2003 (the "Original Lease");

WHEREAS, Lessor and Lessee entered into that certain Amended and Restated Lease Agreement dated July 1, 2004, whereby the Original Lease was amended and restated (the "Restated Original Lease"), and a Memorandum of Lease Agreement dated July 1, 2004 (the "Memorandum") was executed in connection with the Amended and Restated Lease Agreement, which Memorandum was recorded in the Office of the Burlington County Clerk on July 9, 2004, in Deed Book 6183, Page 281;

WHEREAS, Lessor and Lessee amended the Restated Original Lease by (i) a First Amendment to Amended and Restated Lease Agreement dated August 2, 2004, between Lessor and Lessee, and (ii) a Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors (the Restated Original Lease, as amended by the First Amendment and the Letter Amendment, is hereinafter referred to as the "Amended and Restated Original Lease"); and

WHEREAS, Lessor and Lessee desire to further amend and restate the Amended and Restated Original Lease as set forth herein.

NOW, THEREFORE, the parties hereto hereby agree to this Second Amended and Restated Lease Agreement as follows:

ARTICLE I

LEASED PROPERTY; TERM

The Lessor and Lessee acknowledge and agree that this Lease is subject to all of the terms, conditions, provision, limitations and obligations contained in the Ground Lease and Lessee accepts, assumes and agrees to perform and observe all of such terms, conditions, provisions, limitations and obligations contained therein and to be performed on the part of the Lessor as lessee therein, including the payment of Ground Lease Rent, except as expressly modified and limited herein. In the event of termination of the Ground Lease, by lapse of time or for any other reason, prior to the cancellation or termination of this Lease, this Lease shall automatically terminate on the effective date of the termination of the Ground Lease, unless said termination shall have been caused by an act or omission of the Lessee, in which event Lessee shall remain liable to the Lessor in accordance with the terms hereof, therefore

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) all buildings, structures, Fixtures (as hereinafter defined) 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 Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on July 1, 2004 (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month after the Commencement Date.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at

least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under any of the Other Leases, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

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

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the

reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 21.1(g).

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

Commencement Date: As defined in Article I.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) executed on June 17, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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.

Coverage Rent: Collectively, the Initial Base Rent (which includes the Ground Lease Rent), increased beginning on January 1, 2006, by two and one-half percent (2.5%) per annum as provided in Section 3.1(c).

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

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The licensed rehabilitation hospital facility and all improvements in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

First Amendment: The First Amendment to the Amended and Restated Lease Agreement dated August 2, 2004, between Lessor and Lessee.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Ground Lease: The Ground Lease as defined in the Recitals of this Lease.

Ground Lease Rent: All rent, additional rent and other costs and expenses paid by Lessor under the Ground Lease.

Ground Lessor: West Jersey Health System, a non-profit corporation organized and existing pursuant to the laws of the State of New Jersey.

Guarantors: Jointly and severally, Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), Vibra Management, LLC (formerly known as Highmark Management, LLC), Senior Real Estate Holdings LLC, d/b/a The Hollinger Group and Brad E. Hollinger.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably

guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors or any Affiliate of Lessee or Guarantors to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

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 Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Base Rent: The sum of Two Hundred Eighty-Three Thousand Four Hundred Eighty-Two and 55/100 Dollars (\$283,482.55) per month, being Three Million Four Hundred One Thousand Seven Hundred Ninety and

65/100 Dollars (\$3,401,790.65), it being understood and agreed by Lessor and Lessee that the Ground Lease Rent (determined by calculating the present value thereof) due and payable by Lessee to Lessor, is included in the amount of Base Rent due and payable hereunder.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Initial Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease 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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: The property leased under the Ground Lease and as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least \$50,000,000.

Lessee: 92 Brick Road Operating Company, LLC, a Delaware limited liability company, and its successors and permitted assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (but excluding accounts receivable), and consumable inventory

and supplies, used or useful in Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses.

Lessor: 92 Brick Road, LLC, a Delaware limited liability company, and its successors and assigns.

Letter Amendment: The Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors.

Licenses: As defined in Article XXXIX.

Loan Guarantors: Senior Real Estate Holdings LLC d/b/a The Hollinger Group, Vibra Management, LLC (formerly known as Highmark Management, LLC) and Brad E. Hollinger.

Loan Guaranty: That certain Loan Guaranty to be effective the Commencement Date executed and delivered by Loan Guarantors to MPT Development Services in connection with the Loans.

Loans: The loans made by MPT Operating Partnership, L.P. and MPT Development Services to Vibra and certain of its Affiliates, evidenced by promissory notes and other security documents executed in connection therewith, including any such loans made after the date hereof.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Medicaid: The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

MPT: shall mean Medical Properties Trust, Inc.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: Any other leases entered into between Lessor or any Affiliate of Lessor and Lessee or Guarantor, or any Affiliate of Lessee and any Guarantor.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, Percentage Rent or any other sums payable under this Lease.

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

Permitted Exceptions: As defined in Article I.

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: That certain Purchase Agreement dated as of May 20, 2004, by and between THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC and THCI Mortgage Holding Company, LLC, as Seller, and MPT Operating Partnership, L.P., as Purchaser, as Vibra as a permitted assignee thereunder, as amended by those certain letter agreements dated June 3, June 4, June 14, June 29, and August 2, 2004.

Purchase Price: The Initial Purchase Price, plus all additional costs and expenses incurred after the date of this Second Amended and Restated Lease, in association with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however that no such costs or expenses shall be included in Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof), Ground Lease Rent, Percentage Rent and the Additional Charges.

Revenue Threshold: The sum of One Hundred Ten Million and No/100 Dollars (\$110,000,000.00).

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 21.1.

Substitute Properties: As defined in Section 21.1.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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.

Vibra: Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), a Delaware limited liability company, an Affiliate of the Lessee.

ARTICLE III

RENT

3.1 BASE RENT AND PERCENTAGE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person as Lessor from time to time may designate in writing, Base Rent and Percentage Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in an amount equal to Two Hundred Eighty-Three Thousand Four Hundred Eighty-Two and 55/100 Dollars (\$283,482.55) per month, being Three Million Four Hundred One Thousand Seven Hundred Ninety and 66/100 Dollars (\$3,401,790.66) per annum. Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the tenth (10th) day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month); and

(b) PERCENTAGE RENT: So long as the Loans are outstanding, commencing with the calendar year beginning January 1, 2005, and beginning with the calendar month next succeeding the month in which Revenues for the Associated Facilities (as herein defined) exceed the Revenue Threshold (determined on an annualized basis), in addition to the Base Rent, Lessee shall pay to Lessor, subject to adjustment as herein provided, percentage rent (the "Percentage Rent") in an amount equal to two percent (the "Percentage Rate") of Revenues for the preceding month. Percentage Rent shall be payable on the tenth (10th) day

following the end of the first fiscal quarter for which such Percentage Rent is payable. Each January 1 during the Term, the Percentage Rate shall be decreased pro rata from two percent (2%) per annum to one percent (1%) per annum based upon the amount of principal reduction made with respect to the Loans as of the end of the previous calendar year, it being understood and agreed that in no event shall the Percentage Rate be less than one percent (1%) per annum. For purposes hereof, the term "Associated Facilities" shall mean this Facility along with facilities leased by Lessor's Affiliates to Lessee's Affiliates in Kentfield, California, Fresno, California, Bowling Green, Kentucky, New Bedford, Massachusetts and Thornton, Colorado.

(c) ADJUSTMENT OF BASE RENT: Beginning on July 1, 2005, and continuing through December, 2005, Base Rent shall be payable in advance in equal, consecutive monthly installments of Three Hundred Thirty-Eight Thousand Two Hundred Forty-Three and 09/100 Dollars (\$338,243.09), on or before the tenth (10th) day of each calendar month. Commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one half percent (2.5%) per annum of the previous year's Base Rent. If the previous year's Base Rent is for a partial year, Base Rent shall be adjusted as if it were a full year. Notwithstanding anything contained herein to the contrary, with respect to the adjustment of Base Rent for calendar year 2006, the increased Base Rent for calendar year 2006 will be calculated as if the annual rental rate of Four Million Fifty-Eight Thousand Nine Hundred Seventeen and 04/100 Dollars (\$4,058,917.04) applied to the entire calendar year 2005. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent, including six (6) months of the Base Rent for the calendar year 2005, have been made by multiplying the Initial Purchase Price by 10.25% per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly (including the Base Rent for calendar year 2005, if applicable) before adding and calculating the 2.5% annual increases as set forth above.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent and Percentage Rent, (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, including, without limitation, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent or Percentage Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, and the payments of Percentage Rent and Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Upon the execution hereof, Lessor shall loan Lessee an amount equal to twenty-five percent (25%) of the first full year's Base Rent (the "Lease Deposit"). The Lease Deposit shall be held by

Lessor as security for the performance by Lessee of Lessee's covenants and obligations under the Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee. Lessor 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 Lessee hereunder or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of any default by Lessee. Following any such use of the Lease Deposit by the Lessor, Lessee shall deliver to Lessor on demand an amount sufficient to restore the aggregate amount held by Lessor, not including any interest earned on the Lease Deposit, to the amount of the original Lease Deposit. If Lessee is not in default at the termination of the Lease, and has complied with all of the provisions of this Lease to be performed by Lessee, including surrender of the Leased Property in accordance with the provisions hereof and has repaid the loan of the Lease Deposit, the Lease Deposit, not including any interest earned on such Lease Deposit, shall be returned by Lessor to Lessee, subject to any draws which have previously been made by Lessor against the Lease Deposit and not replenished by the Lessee. Lessee will not assign or encumber Lessee's interest in the Lease Deposit, and neither Lessor nor Lessor's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Any interest earned on the Lease Deposit will be for the sole benefit of the Lessor and shall not in any way reduce any amounts owed by Lessee under the terms hereof.

3.5 RENT AND PAYMENTS UNDER THE GROUND LEASE. Lessor and Lessee agree that the Ground Lease Rent shall be (i) calculated as described in the definition of "Initial Base Rent" as set forth in Article II hereof, (ii) added to the Base Rent due and payable during the Term, and (iii) paid in accordance with Section 3.1(a) above.

ARTICLE IV IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem

appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that Lessor has a ground leasehold interest in the Property pursuant to the Ground Lease, all as described above, and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease, subject to the terms, conditions and provisions of the Ground Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to Section 35.2 hereof and the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals, Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a rehabilitation hospital facility.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon as a rehabilitation hospital facility and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion, provided however, that Lessee shall be permitted to sublease a portion of the Leased Property for provision of therapy or physician office space without Lessor's consent so long as the sublease otherwise complies with the provisions of Article VIII, Article XXIV and Article XL hereof. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to

be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only in accordance with its Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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. No Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above.

8.4 HEALTHCARE LAWS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, 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 renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations.

Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of any of the above representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee and each Guarantor represents and warrants to the Lessor that as of the date hereof as follows: (i) if applicable, such person or entity is a duly organized and existing limited liability company or limited partnership and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of such person or entity, enforceable in accordance with their terms, (ii) neither the entering into this Lease nor the performance by such person or entity of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon such person or entity, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of such person

or entity, threatened against or affecting, such person or entity or any of its affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of such person or entity or the ability of such person or entity to perform its obligations under this Lease or the other documents referred to herein, and (v) such person or entity and each of its affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

(e) Commencing on July 1, 2005, Lessee shall make quarterly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on July 1, 2005 shall be prorated based upon one half of a year. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Hospital). The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2.50% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee 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; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) If no Event of Default shall have occurred or be continuing under this Lease or the Other Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) provide to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any

successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may reasonably request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans, other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Section 9.1(a), Lessee 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 Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIV, (f) 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, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (h) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any

Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed reasonably necessary by the Lessor and as described below. This insurance shall be written by companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-XII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. 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 Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, Lessee shall use its best efforts to obtain a policy which does contain such waiver, provided the same is obtainable at commercially reasonable rates; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date), (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. 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. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee'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 Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) per occurrence. Further, in the event of a loss, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor of any loss in the amount of Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater.

(b) Flood and earthquake insurance (rated A-VIII) shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(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 subparagraph 13.1(a) above, or under a separate policy.

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) 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 Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities 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 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.

(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 Five Million and 00/100 Dollars (\$5,000,000.00) 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 or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay one-half (1/2) the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably 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 Lessee on the Leased Property, 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 Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form reasonably satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that (i) it will give to Lessor sixty (60) days' prior written notice (at Lessor's address as specified in Article XXXIII hereof {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled, (ii) the policy will not lapse, terminate, be canceled or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at Lessor's Notice Address, (iii) in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage

terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXIII hereof.

13.5 INCREASE IN LIMITS. In the event that Lessor shall at any time in its reasonable discretion 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 Section. 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 Section, Lessee'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 Lessee provided that

(a) Any such blanket policy or policies are reasonably acceptable to and have been approved by the Lessor, which approval shall not be unreasonably withheld;

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts reasonably acceptable to Lessor.

13.7 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XXI below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuuitable for its Primary Intended Use, Lessee 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 Lessee 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, Lessee may either (i) offer pursuant to Article XXII to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XXI and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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 Lessee 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 Unsuuitable for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this

Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XXII. Otherwise, if the Facility is totally or materially destroyed by a risk not covered by such insurance, this Lease shall terminate unless either party gives the other written notice within ninety (90) days of the destruction that the notifying party elects to restore the Facility at the notifying party's expense, in which event this Lease shall remain in full force and effect. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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 OF PURCHASE. Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Lessee under this Lease to be terminated and to be without further force or effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

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

15.6 AWARD DISTRIBUTION. In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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 and Percentage 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) a default or event of default shall occur under any of the Other Leases, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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) if Guarantor's total debt is more than the greater of (i) one hundred percent (100%) of the total capitalization of the Guarantor, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantor, whichever is greater, or

(vii) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(viii) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(ix) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for

the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(x) the abandonment or vacation of the Leased Property by Lessee. Lessee's absence from the Leased Property for ninety (90) consecutive days shall constitute abandonment.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or Vibra 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 twenty (20) days after receipt by Lessee of notice from Lessor thereof, or

(j) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor and Lessee or any Guarantor or any Affiliate of Lessee or any Guarantor, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a default shall occur under any of the Loans, or

(n) if a default shall occur under the Loan Guaranty.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any

subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

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

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS. The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for herein:

(a) If the total required payments with respect to the total indebtedness of the Lessee when added to the Coverage Rent generates a coverage ratio to the Leased Property's EBITDAR of less than one hundred twenty-five percent (125%) for two consecutive fiscal quarters determined on an annualized basis, or

(b) The Lessee generates a Coverage Rent lease coverage from EBITDAR of less than one hundred fifty percent (150%) for two consecutive fiscal quarters determined on an annualized basis, or

(c) If the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(d) If the parent company of the Lessee makes a payment default on any of its corporate debt or other leases and such default is not cured within the cure periods provided for therein,

then the Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems needed, including, but not limited to, selling the Lessee's interest to a third party.

Upon the occurrence of any of the items in Section 16.1 or this Section 16.2, Lessor may, at its option, require Lessee to cancel the Management Agreement and to replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of

an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least ten (10) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's reasonable opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters

affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

SUBSTITUTION OF PROPERTY

21.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY.

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuitable for its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XXI, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Base Rent Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably apprised of the status thereof, the time period shall be shortened appropriately to meet the

reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XXI.

(c) If Lessee gives the notice referred to in Section 21.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 21.2 and Section 21.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XXI, including without limitation the provisions of Sections 21.1(d), (e) and (f) below, the matter shall be submitted to arbitration at Lessor's discretion and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 21.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result

in income, if any, to Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties, any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

21.2 CONDITIONS TO SUBSTITUTION. On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if

such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with full warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 21.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

21.3 CONVEYANCE TO LESSEE. On the Substitution Date or the date specified in the notice given pursuant to Section 21.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 21.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

21.4 EXPENSES. Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel and consultants, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) reasonable fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, if any, (h) title insurance charges, and (i) escrow fees. Lessee shall also pay for and obtain all necessary regulatory approvals including licensing, surveys and certificates of need for the Substitute Property.

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

Notwithstanding the existence of any insurance or self insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self insurance, Lessee will protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor by reason of: (a) any accident, injury to or death of persons or loss of percentage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims of malpractice, (b) any use, misuse, no use, condition, maintenance or repair by Lessee of the Leased Property, (c) any Impositions (which are the obligations of Lessee to pay pursuant to the applicable provisions of this Lease), (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord (Lessee) thereunder. Any amounts which become payable by Lessee under this Section shall be paid within fifteen (15) days after liability therefor on the part of Lessor is determined by litigation or otherwise and, if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct. Lessee's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXIV

SUBLETTING AND ASSIGNMENT; SUBORDINATION

24.1 SUBLETTING AND ASSIGNMENT. Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, that Lessee shall have the right to assign the Lease or sublease the Leased Property to an Affiliate without Lessor's prior written consent. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance reasonably satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be

performed by Lessee hereunder. Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described in Article XXXII hereof and such leases and subleases are deemed approved by Lessor under this paragraph.

24.2 ATTORNMEN. Lessee shall insert in each sublease permitted under Section 24.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

24.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws.

24.4 SUBORDINATION. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessee 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. Lessee 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, which subordination agreement shall be in such form and content as is reasonably acceptable to Lessor.

ARTICLE XXV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if

Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors (excluding Brad E. Hollinger) and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations performed in the Facility, certified to be true and correct by an officer of Lessee and the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exist certain leases and subleases on the Leased Property (the "Tenant Leases") which are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Tenant Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

- (a) if to Lessee: 92 Brick Road
Operating Company, LLC
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Mr. Brad E. Hollinger
Fax: (717) 591-5710
- with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361
- (b) if to Lessor: 92 Brick Road, LLC
Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Fax: (205) 969-3756
- with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided

that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 OPTION TO PURCHASE. So long as Lessee is not in default under the terms of this Lease or the Other Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within three hundred sixty-five (365) days prior to the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Purchase Price (increased at the rate of two and one-half percent (2.5%) per annum from the Commencement Date). Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, the terms set forth in Article XVIII shall apply. If Lessee does not exercise Lessee's option to purchase within said three hundred sixty-five (365) day period, Lessor shall be free after the expiration of said three hundred sixty-five (365) day period to sell the Leased Property to any party.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

DEFAULT BY LESSOR

36.1 DEFAULT BY LESSOR. Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

36.2 LESSEE'S RIGHT TO CURE. Subject to the provisions of Section 36.1, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 36.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee

on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 36.2 shall survive the termination of this Lease.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form reasonably acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee and 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or any of the Other Leases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor's representations, warranties and agreements set forth herein or therein; 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 XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations 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.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee 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 Lessor or to Lessor's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Lessee shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Lessor or any new lessee or operator selected by Lessor, it being understood and agreed that such cooperation shall include, without limitation, (a) Lessee's assignment, if and to the extent allowed by law, to Lessor or Lessor's new lessee or operator of any and all Licenses, (b) Lessee'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 Lessor. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee. The provisions of this Section are in addition to the other provisions of this Lease.

It is an integral condition of this Lease that Lessee 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.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and

Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to provide documentation and sign, and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for the express purpose of signing, acknowledging and/or delivering any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all rehabilitation hospital licenses, Department of Human Services of the State of New Jersey ("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 Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (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 Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of New Jersey, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Leased Property as a licensed and Medicare and/or Medicaid certified rehabilitation hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the

maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

41.2 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, Lessee shall, if and to the extent allowed by law, transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits, licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

41.3 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including reasonable legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

41.4 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), including, without limitation, the First Amendment and the Letter Amendment, are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.5 GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

41.6 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property to a direct competitor of Lessee, without the consent of Lessee, which consent shall not be unreasonably withheld. For the purposes of this Section 41.6, the term "direct competitor" shall mean an entity operating a rehabilitation hospital.

41.7 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term the Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, or if Lessee wishes to expand or renovate the Leased Property or any other facilities leased to the Lessee under the Other Leases, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee.

41.8 SUBORDINATION OF LESSEE AND GUARANTORS. Lessee and Guarantors agree that (a) all indebtedness owed by Lessee under all agreements executed in connection with the Lessee's financing of certain personal property to be used in connection with the operation of the Facility, and (b) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

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

41.10 LESSEE'S OBLIGATIONS UNDER THE PURCHASE AGREEMENT. Lessee shall perform all of its obligations under Sections 6.3, 6.4, 6.5, 6.6, 7.1(b), 7.4, 7.5, 7.8, 8.4(c) and 11.3 of the Purchase Agreement and, if requested to do so by Lessor, shall respond timely to all request regarding such performance by the selling parties under the Purchase Agreement.

41.11 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.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

92 BRICK ROAD, LLC,
a Delaware limited liability company

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

LESSEE:

92 BRICK ROAD OPERATING
COMPANY, LLC, a Delaware limited liability
company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

GUARANTORS:

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group), a Delaware limited
liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

/s/ Brad E. Hollinger

BRAD E. HOLLINGER

STATE OF ALABAMA

JEFFERSON COUNTY

I CERTIFY that on _____, 2004, EDWARD K. ALDAG, JR. personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the President and Chief Executive Officer of MPT Operating Partnership, L.P., as the Sole Member of 92 Brick Road, LLC, a Delaware limited liability company; and

(b) the document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Prepared by: _____
Lynn Reynolds

STATE OF _____

COUNTY OF _____

I CERTIFY that on _____, 2004, BRAD E. HOLLINGER personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the _____ of 92 Brick Road Operating Company, LLC, a Delaware limited liability company; and

(b) the document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Prepared by: _____
Lynn Reynolds

STATE OF _____

COUNTY OF _____

I CERTIFY that on _____, 2004, BRAD E. HOLLINGER personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the _____ of VIBRA HEALTHCARE, LLC (FORMERLY KNOWN AS HIGHMARK HEALTHCARE, LLC), a Delaware limited liability company; and

(b) the document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Prepared by: _____
Lynn Reynolds

STATE OF _____

COUNTY OF _____

I CERTIFY that on _____, 2004, BRAD E. HOLLINGER personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the _____ of SENIOR REAL ESTATE HOLDINGS, LLC (D/B/A THE HOLLINGER GROUP), a Delaware limited liability company; and

(b) the document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Prepared by: _____
Lynn Reynolds

STATE OF _____

COUNTY OF _____

I CERTIFY that on _____, 2004, BRAD E. HOLLINGER personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the _____ of VIBRA MANAGEMENT, LLC (FORMERLY KNOWN AS HIGHMARK MANAGEMENT, LLC), a Delaware limited liability company; and

(b) the document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Prepared by: _____
Lynn Reynolds

STATE OF _____

COUNTY OF _____

I CERTIFY that on _____, 2004, BRAD E. HOLLINGER personally came before me and he acknowledged under oath, to my satisfaction, that:

he signed, sealed and delivered the attached document on the date the same bears date.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Prepared by: _____
Lynn Reynolds

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C
TENANT LEASES

MARLTON, NEW JERSEY

FIRST AMENDMENT TO
SECOND AMENDED AND RESTATED LEASE AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LEASE AGREEMENT (the "First Amendment") is made and entered into on this the 31st day of December, 2004, by and between 92 BRICK ROAD, LLC, a Delaware limited liability company ("Lessor"), and 92 BRICK ROAD OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessor") as follows:

RECITALS:

A. Lessor and Lessee entered into that certain Second Amended and Restated Lease Agreement dated as of December 20, 2004 (the "Lease"), whereby the Lessor leased to Lessee certain leased property, including the real property located in Marlton, Burlington County, New Jersey, as described in the Lease.

B. Lessor and Lessee desire to amend the terms, conditions and provisions of the Lease.

NOW, THEREFORE, in consideration of mutual covenants, conditions and agreements herein contained, the parties hereto agree that the Lease is hereby amended as follows:

1. AMENDMENT.

Article XXI ("Substitution of Property") is hereby deleted in its entirety, and all references in the Lease to the substitution property and the "substituted property" are hereby deleted in their entirety.

2. REPRESENTATION. Lessee represents and warrants that no consents, approvals or notices are required to be obtained from or given to any persons in connection with the execution of this First Amendment.

3. NO DEFAULTS. Lessee represents and warrants that all representations and warranties set forth in the Lease are true and correct at the date hereof and that there are no defaults or events of default under the Lease.

4. RATIFICATION. Except as expressly amended hereby, the Lease is hereby confirmed and ratified in all respects by each of the parties thereto.

5. MISCELLANEOUS.

(a) Lessee acknowledges, represents and warrants that the officer of the Lessee, whose name is signed to this First Amendment, has been duly and properly authorized by the Lessee to sign this First Amendment for and on behalf of the Lessee.

(b) This First Amendment may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument.

[See Following Page for Signatures]

IN WITNESS WHEREOF, Lessor and Lessee have executed this First Amendment to be effective as of the date first written above.

LESSOR:

92 BRICK ROAD, LLC, a Delaware limited liability company

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Its: Executive Vice President and
Chief Financial Officer

LESSEE:

92 BRICK ROAD OPERATING COMPANY,
LLC, a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

STATE OF ALABAMA
JEFFERSON COUNTY

I CERTIFY that on _____, 200____, R. Steven Hamner personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the Executive Vice President and Chief Financial Officer of MPT Operating Partnership, L.P., as the Sole Member of 92 Brick Road, LLC, a Delaware limited liability company; and

(b) the document was signed and made by the limited partnership as the sole member of the limited liability company as its voluntary act and deed by virtue of authority from its partners.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____
_____ COUNTY

I CERTIFY that on _____, 200____, Brad E. Hollinger personally came before me and he acknowledged under oath, to my satisfaction, that:

(a) he signed, sealed and delivered the attached document as the President of 92 Brick Road Operating Company, LLC, a Delaware limited liability company; and

(b) the document was signed and made by the limited liability company as its voluntary act and deed by virtue of authority from its members.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

THIRD AMENDED AND RESTATED
LEASE AGREEMENT

SAN JOAQUIN HEALTH CARE ASSOCIATES
LIMITED PARTNERSHIP,
a Delaware limited partnership

Lessor

AND

7173 NORTH SHARON AVENUE OPERATING
COMPANY, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC)

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group)

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC)

BRAD E. HOLLINGER

Guarantors

Property: Acute Rehabilitation Hospital Facility

7173 North Sharon Avenue

Fresno, California

December __, 2004

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THIRD AMENDED AND RESTATED LEASE AGREEMENT

This THIRD AMENDED AND RESTATED LEASE AGREEMENT (the "Lease") is dated as of the ____ day of December ____, 2004, and is between SAN JOAQUIN HEALTH CARE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and 7173 NORTH SHARON AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, PA 17055.

WITNESSETH:

WHEREAS, Lessor is the current owner of that certain real property located in Fresno, Fresno County, California, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon;

WHEREAS, San Joaquin Health Care Associates Limited Partnership, a Delaware limited partnership, as Lessor, and Orange Rehabilitation Hospital, Inc., a Delaware corporation, as Lessee, entered into a Lease dated September 30, 1988, disclosed by a document recorded September 30, 1988, as Instrument No. 88109284 of the Official Records of Fresno County, California ("the San Joaquin/Orange Rehab Lease");

WHEREAS, San Joaquin Valley Rehabilitation Hospital, a Delaware limited partnership d/b/a San Joaquin Valley Rehabilitation Hospital entered into that certain Operations Transfer Agreement with 7173 North Sharon Avenue Operating Company, LLC, a Delaware limited liability company, whereby in accordance with that certain Stipulation and Order re Resolution of "Motion of THCI Company, LLC to Enforce Stipulation and Order and For Emergency Relief" [Docket No. 8320] in the United States Bankruptcy Court for the District of Delaware, Chapter 11, Case No. 99-3657 (JKE), Docket No. 8320, In Re Sun Healthcare Group, Inc., Reorganized Debtor, filed April 21, 2003, Order dated April 28, 2003, the San Joaquin/Orange Rehab Lease was terminated;

WHEREAS, San Joaquin Health Care Associates Limited Partnership, a Delaware limited partnership, as Landlord, and 7173 North Sharon Avenue Operating Company, LLC, a Delaware limited liability company, as Tenant, entered into that certain Kentfield Rehabilitation Hospital Lease Agreement dated as of June 30, 2003 (the "Original Lease"), as amended by that certain First Amended and Restated San Joaquin Valley Rehabilitation Hospital Lease dated as of January 7, 2004 (the "First Amended and Restated Lease");

WHEREAS, Lessor and Lessee entered into that certain Second Amended and Restated Lease Agreement dated July 1, 2004 (the "Second Amended and Restated Lease"), and a Memorandum of Lease dated July 1, 2004 (the "Memorandum") was executed in connection with the Second Amended and Restated Lease, which Memorandum was recorded in the Office of the Fresno County Recorder on July 2, 2004, as Document No. 2004-0147029;

WHEREAS, Lessor and Lessee amended the Second Amended and Restated Lease by (i) a First Amendment to Second Amended and Restated Lease dated August 2, 2004, between Lessor and Lessee, and (ii) a Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors (the "Second Amended and Restated Lease, as amended by the First Amendment and the Letter Amendment, is hereinafter referred to as the "Amended and Restated Lease")

WHEREAS, Lessor and Lessee desire to further amend and restate the Amended and Restated Lease as set forth above.

NOW, THEREFORE, the parties hereto hereby agree to this Third Amended and Restated Lease Agreement as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) all buildings, structures, Fixtures (as hereinafter defined) 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 Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on July 1, 2004 (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month after the Commencement Date.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under any of the Other Leases, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the

plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

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

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 21.1(g).

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

Commencement Date: As defined in Article I.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) executed on June 17, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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.

Coverage Rent: The Initial Base Rent, increased beginning on January 1, 2006, by two and one-half percent (2.5%) per annum as provided in Section 3.1(c).

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

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The licensed acute rehabilitation hospital facility and all improvements in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

First Amendment: The First Amendment to the Second Amended and Restated Lease Agreement dated August 2, 2004, between Lessor and Lessee.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Guarantors: Jointly and severally, Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), Vibra Management, LLC (formerly known as Highmark Management, LLC), Senior Real Estate Holdings, LLC, d/b/a The Hollinger Group and Brad E. Hollinger.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors or any Affiliate of Lessee or Guarantors to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

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 Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Base Rent: The sum of One Hundred Fifty-Nine Thousand, Five Hundred Sixty-Nine and 06/100 Dollars (\$159,569.06) per month, being One Million, Nine Hundred Fourteen Thousand, Eight Hundred Twenty-Eight and 66/100 (\$1,914,828.66) per annum.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Initial Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease 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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least \$50,000,000.

Lessee: 7173 North Sharon Avenue Operating Company, LLC, a Delaware limited liability company, and its successors and permitted assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (but excluding accounts receivable), and consumable inventory and supplies, used or useful in Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses.

Lessor: San Joaquin Health Care Associates Limited Partnership, a Delaware limited partnership, and its successors and assigns.

Letter Amendment: The Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors.

Licenses: As defined in Article XXXIX.

Loan Guarantors: Senior Real Estate Holdings LLC d/b/a The Hollinger Group, Vibra Management, LLC (formerly known as Highmark Management, LLC) and Brad E. Hollinger.

Loan Guaranty: That certain Loan Guaranty to be effective the Commencement Date executed and delivered by Loan Guarantors to MPT Development Services in connection with the Loans.

Loans: The loans made by MPT Operating Partnership, L.P. and MPT Development Services to Vibra and certain of its Affiliates, evidenced by promissory notes and other security documents executed in connection therewith, including any such loans made after the date hereof.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

MPT: shall mean Medical Properties Trust, Inc., an Affiliate of Lessor.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: Any other leases entered into between Lessor or any Affiliate of Lessor and Lessee or Guarantor, or any Affiliate of Lessee and any Guarantor.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, Percentage Rent or any other sums payable under this Lease.

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

Permitted Exceptions: As defined in Article I.

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: That certain Purchase Agreement dated as of May 20, 2004, by and between THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC and THCI Mortgage Holding Company, LLC, as Seller, and MPT Operating Partnership, L.P., as Purchaser, as Vibra, as a permitted assignee thereunder, as amended by those certain letter agreements dated June 3, June 4, June 14, June 29, and August 2, 2004.

Purchase Price: The Initial Purchase Price, plus all costs and expenses incurred after the date of this Third Amended and Restated Lease Agreement, in association with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be

included in the Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof), the Percentage Rent and the Additional Charges.

Revenue Threshold: The sum of One Hundred Ten Million and No/100 Dollars (\$110,000,000.00).

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 21.1.

Substitute Properties: As defined in Section 21.1.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be

deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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.

Vibra: Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), a Delaware limited liability company, an Affiliate of the Lessee.

ARTICLE III

RENT

3.1 BASE RENT AND PERCENTAGE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firms or corporations as Lessor from time to time may designate in writing, Base Rent and Percentage Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in an amount equal to One Hundred Fifty-Nine Thousand, Five Hundred Sixty-Nine and 06/100 Dollars (\$159,569.06) per month, being One Million, Nine Hundred Fourteen Thousand, Eight Hundred Twenty-Eight and 66/100 Dollars (\$1,914,828.66) per annum. Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the 10th day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month); and

(b) PERCENTAGE RENT: So long as the Loans are outstanding, commencing with the calendar year beginning January 1, 2005, and beginning with the calendar month next succeeding the month in which Revenues for the Associated Facilities (as herein defined) exceed the Revenue Threshold (determined on an annualized basis), in addition to the Base Rent, Lessee shall pay to Lessor, subject to adjustment as herein provided, percentage rent (the "Percentage Rent") in an amount equal to two percent (2%) (the "Percentage Rate") of Revenues for the preceding month. Percentage Rent shall be payable on the tenth (10th) day following the end of the first fiscal quarter for which such Percentage Rent is payable. Each January 1 during the Term, the Percentage Rate shall be decreased pro rata from two percent (2%) per annum to one percent (1%) per annum based upon the amount of principal reduction made with respect to the Loans as of the end of the previous calendar year, it being understood and agreed that in no event shall the Percentage Rate be less than one percent (1%) per annum. For purposes hereof, the term "Associated Facilities" shall mean this Facility along with facilities leased by Lessor's Affiliates to Lessee's Affiliates in Kentfield, California, Bowling Green, Kentucky, Marlton, New Jersey, New Bedford, Massachusetts, and Thornton, Colorado.

(c) ADJUSTMENT OF BASE RENT: Beginning on July 1, 2005, and continuing through December, 2005, Base Rent shall be payable in advance in equal, consecutive monthly installments of One Hundred Ninety Thousand, Three Hundred Ninety-Three and 13/100 Dollars (\$190,393.13), on or before the tenth (10th) day of each calendar month. Commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one half percent (2.5%) per annum of the previous year's Base Rent. If the previous year's Base Rent is for a partial year, Base Rent shall be adjusted as if it were a full year. Notwithstanding anything contained herein to the contrary, with respect to the adjustment of Base Rent for calendar year 2006, the increased Base Rent for calendar year

2006 will be calculated as if the annual rental rate of Two Million, Two Hundred Eighty-Four Thousand, Seven Hundred Seventeen and 51/100 Dollars (\$2,284,717.51) applied to the entire calendar year 2005. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent, including six (6) months of the Base Rent for calendar year 2005, have been made by multiplying the Initial Purchase Price by 10.25% per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly (including Base Rent for the calendar year 2005, if applicable) before adding and calculating the 2.5% annual increases as set forth above.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent and Percentage Rent, (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, including, without limitation, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent or Percentage Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, and the payments of Percentage Rent and Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Upon the execution hereof, Lessor shall loan Lessee an amount equal to twenty-five percent (25%) of the first full year's Base Rent (the "Lease Deposit"). The Lease Deposit shall be held by Lessor as security for the performance by Lessee of Lessee's covenants and obligations under the Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee. Lessor 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 Lessee hereunder or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of any default by Lessee. Following any such use of the Lease Deposit by the Lessor, Lessee shall deliver to Lessor on demand an amount sufficient to restore the aggregate amount held by Lessor, not including any interest earned on the Lease Deposit, to the amount of the original Lease Deposit. If Lessee is not in default at the termination of the Lease, and has complied with all of the provisions of this Lease to be performed by Lessee, including surrender of the Leased Property in accordance with the provisions hereof and has repaid the loan of the Lease Deposit, the Lease Deposit, not including any interest earned on such Lease Deposit, shall be returned by Lessor to Lessee, subject to any draws which have previously been made by Lessor against the Lease Deposit and not replenished by the Lessee. Lessee will not assign or encumber Lessee's interest in the Lease Deposit, and neither Lessor nor Lessor's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Any interest earned on the Lease Deposit will be for the sole benefit of the Lessor and shall not in any way reduce any amounts owed by Lessee under the terms hereof.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to Section 35.2 hereof and the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals, Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as an acute rehabilitation hospital facility.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon as an acute rehabilitation hospital facility and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion, provided however, that Lessee shall be permitted to sublease a portion of the Leased Property for provision of therapy or physician office space without Lessor's consent so long as the sublease otherwise complies with the provisions of Article VIII, Article XXIV and Article XL hereof. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only in accordance with its Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a

manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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. No Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in

existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above.

8.4 HEALTHCARE LAWS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, 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 renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations.

Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of any of the above representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee and each Guarantor represents and warrants to the Lessor that as of the date hereof as follows: (i) if applicable, such person or entity is a duly organized and existing limited liability company or limited partnership and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of such person or entity, enforceable in accordance with their terms, (ii) neither the entering into this Lease nor the performance by such person or entity of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon such person or entity, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of such person or entity, threatened against or affecting, such person or entity or any of its affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of such person or entity or the ability of such person or entity to perform its obligations under this Lease or the other documents referred to herein, and (v) such person or entity and each of its affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

(e) Commencing on July 1, 2005, Lessee shall make quarterly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on July 1, 2005, shall be prorated based upon one half of a year. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Hospital). The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by two and one-half percent (2.50%) per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for the

repair and replacement of capital items on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee 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; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) If no Event of Default shall have occurred or be continuing under this Lease or the Other Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) provide to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may reasonably request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans, other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance

satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Section 9.1(a), Lessee 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 Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIV, (f) 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, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (h) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property,

insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed reasonably necessary by the Lessor and as described below. This insurance shall be written by companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-XII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. 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 Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, Lessee shall use its best efforts to obtain a policy which does contain such waiver, provided the same is obtainable at commercially reasonable rates; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date), (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. 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. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee'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 Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) per occurrence. Further, in the event of a loss, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor of any loss in the amount of Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater.

(b) Flood and earthquake insurance (rated A-VIII) shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(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 subparagraph 13.1(a) above, or under a separate policy.

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) 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 Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities 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 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.

(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 Five Million and 00/100 Dollars (\$5,000,000.00) 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 or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay one-half (1/2) the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably 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 Lessee on the Leased Property, 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 Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form reasonably satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that (i) it will give to Lessor sixty (60) days' prior written notice (at Lessor's address as specified in Article XXXIII hereof {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled, (ii) the policy will not lapse, terminate, be canceled or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at Lessor's Notice Address, (iii) in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXIII hereof.

13.5 INCREASE IN LIMITS. In the event that Lessor shall at any time in its reasonable discretion 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 Section. 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 Section, Lessee'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 Lessee provided that

(a) Any such blanket policy or policies are reasonably acceptable to and have been approved by the Lessor, which approval shall not be unreasonably withheld;

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts reasonably acceptable to Lessor.

13.7 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the

provisions of Article XXI below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease; provided, however, if Lessee cannot within a reasonable time obtain all necessary governmental approvals, including building permits, licenses, conditional use permits and any certificates of need, after 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, Lessee may either (i) offer pursuant to Article XXII to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XXI and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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 Lessee 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 Unsuited for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XXII. Otherwise, if the Facility is totally or materially destroyed by a risk not covered by such insurance, this Lease shall terminate unless either party gives the other written notice within ninety (90) days of the destruction that the notifying party elects to restore the Facility at the notifying party's expense, in which event this Lease shall remain in full force and effect. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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 OF PURCHASE. Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Lessee under this Lease to be terminated and to be without further force or effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

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

15.6 AWARD DISTRIBUTION. In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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 and Percentage 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) a default or event of default shall occur under any of the Other Leases, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured

by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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) if Guarantor's total debt is more than the greater of (i) one hundred percent (100%) of the total capitalization of the Guarantor, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantor, whichever is greater, or

(vii) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(viii) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(ix) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(x) the abandonment or vacation of the Leased Property by Lessee. Lessee's absence from the Leased Property for ninety (90) consecutive days shall constitute abandonment.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such

Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or Vibra 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 twenty (20) days after receipt by Lessee of notice from Lessor thereof, or

(j) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor and Lessee or any Guarantor or any Affiliate of Lessee or any Guarantor, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a default shall occur under any of the Loans, or

(n) if a default shall occur under the Loan Guaranty.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute

damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

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

(D) In addition to the above remedies, in the event of any default hereunder by Lessee, Lessor, at its option, may have one or more of the following remedies in addition to all other legal rights and remedies:

(i) Lessor may serve upon Lessee notice that its Lease and the then unexpired term hereof shall terminate and become absolutely void on a date specified in such notice, which shall be the date of such notice or such later date as may be required by law, and the Lease, and well as the right, title, and interest of Lessee hereunder shall, except as to the rights and remedies of Lessor upon termination as provided herein, terminate and become void in the same manner and with the same force and effect as if the date filed in such notice were the date originally specified for the expiration of the Lease term; and Lessee shall then immediately quit and surrender to Lessor the Leased Property, including any and all buildings and improvements thereon, and Lessor may then or at any time thereafter, without judicial proceedings of any kind, enter into and repossess the Leased Property, by picking or changing locks or otherwise to effect such entrance, and may remove all occupants and any property thereon without being liable for any action or prosecution of any kind for such entry or the manner thereof, or loss of or damage to any property upon the Leased Property. In the event of any such termination of this Lease, and in addition to any other rights and remedies Lessor may have, Lessor shall have all of the rights and remedies of a Lessor provided by Sections 1951.4 (Lessor may continue the Lease in effect after Lessee's breach and abandonment and recover rent as it becomes due, even if Lessee has the right to sublease or assign) and 1951.2 of the California Civil Code. The amount of damages which Lessor may recover in the event of such termination shall include, without limitation, (A) the worth at the time of award (computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss for such period that Lessee proves could be reasonably avoided, (B) all unpaid Rent earned at the time of Lease termination, and all reasonable legal expenses and other related costs incurred by Lessor following an event of default, costs incurred by Lessor in recovering the Leased Property and restoring the Leased Property to good order and condition, or in remodeling, renovating or otherwise preparing the Leased Property for reletting, (D) all costs (including, without limitation, any brokerage commissions and reasonable attorneys' fees) incurred by Lessor in reletting the Leased Property, and (E) any other sum of money and damages owed by Lessee to Lessor.

(ii) In addition, Lessor shall have all the rights and remedies described in Section 1951.4 of the California Civil Code (Lessor may continue the Lease in effect after

Lessee's breach and abandonment and recover rent as it becomes due, if Lessee has the right to sublease or assign subject only to reasonable limitations).

(iii) Lessor may immediately terminate Lessee's right of possession of the Leased Property, but not terminate the Lease, and without notice or demand enter upon the Leased Property or any part thereof and take absolute possession of the same, pick or change the locks, and, at Lessor's sole option may relet the Leased Property or any part thereof for such terms and such rents as Lessor may reasonably elect. In the event Lessor shall elect to so relet, then rent received by Lessor from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor, second, to the payment of any cost of such reletting, including, without limitation, refurbishing costs and leasing commissions, and third, to the payment of Rent due and unpaid hereunder, and Lessee shall satisfy and pay any deficiency upon demand therefor from time to time. Any entry into and possession of the Leased Property by Lessor shall be without liability or responsibility to Lessee and shall not be in lieu of or in substitution for any other legal rights of Lessor hereunder. Lessee further agrees that Lessor may file suit to recover any sums due under the terms of this Lease and that no recovery of any portion due Lessor hereunder shall be any defense to any subsequent action brought for any amount not therefore reduced to judgment in favor of Lessor. Reletting of the Leased Property shall not be construed as an election on the part of Lessor to terminate this Lease and, notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS. The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for herein:

(a) If the total required payments with respect to the total indebtedness of the Lessee when added to the Coverage Rent generates a coverage ratio to the Leased Property's EBITDAR of less than one hundred twenty-five percent (125%) for two consecutive fiscal quarters determined on an annualized basis, or

(b) The Lessee generates a Coverage Rent lease coverage from EBITDAR of less than one hundred fifty percent (150%) for two consecutive fiscal quarters determined on an annualized basis, or

(c) If the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(d) If the parent company of the Lessee makes a payment default on any of its corporate debt or other leases and such default is not cured within the cure periods provided for therein.

then the Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems needed, including, but not limited to, selling the Lessee's interest to a third party.

Upon the occurrence of any of the items in Section 16.1 or this Section 16.2, Lessor may, at its option, require Lessee to cancel the Management Agreement and to replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees),

(iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least ten (10) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's reasonable opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

SUBSTITUTION OF PROPERTY

21.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY.

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuitable for its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XXI, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Base Rent Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably appraised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XXI.

(c) If Lessee gives the notice referred to in Section 21.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 21.2 and Section 21.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XXI, including without limitation the provisions of Sections 21.1(d), (e) and (f) below, the matter shall be submitted to arbitration at Lessor's discretion and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 21.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties, any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market

Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

21.2 CONDITIONS TO SUBSTITUTION. On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with full warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property

shall be consistent with the requirements of Section 21.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

21.3 CONVEYANCE TO LESSEE. On the Substitution Date or the date specified in the notice given pursuant to Section 21.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 21.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

21.4 EXPENSES. Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel and consultants, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) reasonable fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, if any, (h) title insurance charges, and (i) escrow fees. Lessee shall also pay for and obtain all necessary regulatory approvals, including licensing, surveys and certificates of need for the Substitute Property.

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

Notwithstanding the existence of any insurance or self insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self insurance, Lessee will protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor by reason of: (a) any accident, injury to or death of persons or loss of percentage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims of malpractice, (b) any use, misuse, no use, condition, maintenance or repair by Lessee of the Leased Property, (c) any Impositions (which are the obligations of Lessee to pay pursuant to the applicable provisions of this Lease), (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord (Lessee) thereunder. Any amounts which become payable by Lessee under this Section shall be paid within fifteen (15) days after liability therefor on the part of Lessor is determined by litigation or otherwise and, if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct. Lessee's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXIV

SUBLETTING AND ASSIGNMENT; SUBORDINATION

24.1 SUBLETTING AND ASSIGNMENT. Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, that Lessee shall have the right to assign the Lease or sublease the Leased Property to an Affiliate without Lessor's prior written consent. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance reasonably satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described in Article XXXII hereof and such leases and subleases are deemed approved by Lessor under this paragraph. Lessor acknowledges that Lessee has formed an entity (San Joaquin Health Valley Rehabilitation Hospital Pharmacy Limited Partnership) to operate a pharmacy in the Leased Property. Lessee shall within sixty (60) days from the Commencement Date enter into a written lease with such pharmacy entity and provide Lessor a fully executed copy of same.

24.2 ATTORNNMENT. Lessee shall insert in each sublease permitted under Section 24.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

24.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws.

24.4 SUBORDINATION. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessee 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. Lessee 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, which subordination agreement shall be in such form and content as is reasonably acceptable to Lessor.

ARTICLE XXV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors (excluding Brad E. Hollinger) and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations performed in the Facility, certified to be true and correct by an officer of Lessee and the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exist certain leases and subleases on the Leased Property (the "Tenant Leases") which are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Tenant Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee

agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: 7173 North Sharon Avenue Operating Company, L.L.C.
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Mr. Brad E. Hollinger
Fax: (717) 591-5710

with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361

(b) if to Lessor: San Joaquin Health Care Associates Limited Partnership
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 OPTION TO PURCHASE. So long as Lessee is not in default under the terms of this Lease or the Other Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within three hundred sixty-five (365) days prior to the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Purchase Price (increased at the rate of two and one-half percent (2.5%) per annum from the Commencement Date).

Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, the terms set forth in Article XVIII shall apply. If Lessee does not exercise Lessee's option to purchase within said three hundred sixty-five (365) day period, Lessor shall be free after the expiration of said three hundred sixty-five (365) day period to sell the Leased Property to any party.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

DEFAULT BY LESSOR

36.1 DEFAULT BY LESSOR. Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

36.2 LESSEE'S RIGHT TO CURE. Subject to the provisions of Section 36.1, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 36.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 36.2 shall survive the termination of this Lease.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a)

to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form reasonably acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee and 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or any of the Other Leases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor's representations, warranties and agreements set forth herein or therein; 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 XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations 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.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee 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 Lessor or to Lessor's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Lessee shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Lessor or any new lessee or operator selected by Lessor, it being understood and agreed that such cooperation shall include, without limitation, (a) Lessee's assignment, if and to the extent allowed by law, to Lessor or Lessor's new lessee or operator of any and all Licenses, (b) Lessee'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 Lessor. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee. The provisions of this Section are in addition to the other provisions of this Lease.

It is an integral condition of this Lease that Lessee 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.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to provide documentation and sign, and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for the express purpose of signing, acknowledging and/or delivering any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all rehabilitation hospital licenses, Department of Human Services of the State of California ("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 Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (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 Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of California, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Leased Property as a licensed and Medicare and/or Medicaid certified acute rehabilitation hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

41.2 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, Lessee shall , if and to the extent allowed by law, transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits, licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

41.3 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including reasonable legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

41.4 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), including, without limitation, the First Amendment and the Letter Amendment, are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.5 GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

41.6 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property to a direct competitor of Lessee, without the consent of Lessee, which consent shall not be unreasonably withheld. For the purposes of this Section 40.7, the term "direct competitor" shall mean an entity operating an acute rehabilitation hospital.

41.7 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term the Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, or if Lessee wishes to expand or renovate the Leased Property or any other facilities leased to the Lessee under the Other Leases, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee.

41.8 SUBORDINATION OF LESSEE AND GUARANTORS. Lessee and Guarantors agree that (a) all indebtedness owed by Lessee under all agreements executed in connection with the Lessee's financing of certain personal property to be used in connection with the operation of the Facility, and (b) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements

executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

41.9 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessee shall furnish Lessor with such financial and other information as Lessor shall request and Lessor and MPT 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 Commitment Letter, the Lessee, the Guarantors, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

41.10 LESSEE'S OBLIGATIONS UNDER PURCHASE AGREEMENT. Lessee shall perform all of its obligations under Sections 6.3, 6.4, 6.5, 6.6, 7.1(b), 7.4, 7.5, 7.8, 8.4(c) and 11.3 of the Purchase Agreement and, if requested to do so by Lessor, shall respond timely to all requests regarding such performance by the selling parties under the Purchase Agreement.

41.11 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.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

SAN JOAQUIN HEALTH CARE ASSOCIATES
LIMITED PARTNERSHIP, a Delaware limited partnership

BY: MPT OF CALIFORNIA, LLC
ITS: GENERAL PARTNER
BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: Sole Member

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

Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

LESSEE:

7173 NORTH SHARON AVENUE OPERATING
COMPANY, LLC, a Delaware limited liability
company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

GUARANTORS:

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group), a Delaware limited
liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

/s/ Brad E. Hollinger

BRAD E. HOLLINGER

STATE OF ALABAMA

JEFFERSON COUNTY

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared EDWARD K. ALDAG, JR., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President and Chief Executive Officer of MPT Operating Partnership, L.P., the Sole Member of MPT of California, LLC, the General Partner of SAN JOAQUIN HEALTH CARE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership, and acknowledged to me that such limited partnership, as the Sole Member of such limited liability company, as the General Partner of such limited partnership executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of 7173 NORTH SHARON AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of VIBRA HEALTHCARE, LLC (FORMERLY KNOWN AS HIGHMARK HEALTHCARE, LLC), a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of SENIOR REAL ESTATE HOLDINGS, LLC (D/B/A THE HOLLINGER GROUP), a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of VIBRA MANAGEMENT, LLC (FORMERLY KNOWN AS HIGHMARK MANAGEMENT, LLC), a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

EXHIBIT A
PROPERTY DESCRIPTION

7173 NORTH SHARON AVENUE
FRESNO, CALIFORNIA

FIRST AMENDMENT TO
THIRD AMENDED AND RESTATED LEASE AGREEMENT

THIS FIRST AMENDMENT TO THIRD AMENDED AND RESTATED LEASE AGREEMENT (the "First Amendment") is made and entered into on this the 31st day of December, 2004, by and between SAN JOAQUIN HEALTHCARE ASSOCIATES LIMITED PARTNERSHIP, a Delaware limited partnership ("Lessor") and 7173 NORTH SHARON AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee") as follows:

R E C I T A L S:

A. Lessor and Lessee entered into that certain Third Amended and Restated Lease Agreement dated as of December 20, 2004 (the "Lease"), whereby the Lessor leased to Lessee certain leased property, including the real property located in Fresno, Fresno County, California, as described in the Lease.

B. Lessor and Lessee desire to amend the terms, conditions and provisions of the Lease.

NOW, THEREFORE, in consideration of mutual covenants, conditions and agreements herein contained, the parties hereto agree that the Lease is hereby amended as follows:

1. AMENDMENT.

Article XXI ("Substitution of Property") is hereby deleted in its entirety, and all references in the Lease to the substitution property and the "substituted property" are hereby deleted in their entirety.

2. REPRESENTATION. Lessee represents and warrants that no consents, approvals or notices are required to be obtained from or given to any persons in connection with the execution of this First Amendment.

3. NO DEFAULTS. Lessee represents and warrants that all representations and warranties set forth in the Lease are true and correct at the date hereof and that there are no defaults or events of default under the Lease.

4. RATIFICATION. Except as expressly amended hereby, the Lease is hereby confirmed and ratified in all respects by each of the parties thereto.

5. MISCELLANEOUS.

(a) Lessee acknowledges, represents and warrants that the officer of the Lessee, whose name is signed to this First Amendment, has been duly and properly authorized by the Lessee to sign this First Amendment for and on behalf of the Lessee.

(b) This First Amendment may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument.

[See Following Page for Signatures]

IN WITNESS WHEREOF, Lessor and Lessee have executed this First Amendment to be effective as of the date first written above.

LESSOR:

SAN JOAQUIN HEALTHCARE ASSOCIATES
LIMITED PARTNERSHIP,
a Delaware limited partnership

By: MPT of California, LLC
Its: General Partner
By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner

Its: Executive Vice President and
Chief Financial Officer

LESSEE:

7173 NORTH SHARON AVENUE
OPERATING COMPANY, LLC,
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

STATE OF ALABAMA
JEFFERSON COUNTY

On this ____ day of _____, 200____, before me, the undersigned authority, _____, a Notary Public in and for said State, duly commissioned and sworn, personally appeared R. Steven Hamner, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Executive Vice President and Chief Financial Officer of MPT Operating Partnership, L.P., the Sole Member of MPT of California, LLC, the General Partner of San Joaquin Healthcare Associates Limited Partnership, a Delaware limited partnership, and acknowledged to me that such limited partnership, as the sole member of such limited liability company, as the general partner of such limited partnership, executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____
_____ COUNTY

On this ____ day of _____, 200____, before me, the undersigned authority, _____, a Notary Public in and for said State, duly commissioned and sworn, personally appeared Brad E. Hollinger, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of 7173 North Sharon Avenue Operating Company, LLC, a Delaware limited partnership, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

SECOND AMENDED AND RESTATED
LEASE AGREEMENT

8451 PEARL STREET, LLC
a Delaware limited liability company

Lessor

AND

8451 PEARL STREET OPERATING
COMPANY, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC)

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group)

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC)

BRAD E. HOLLINGER

Guarantors

Property: Rehabilitation Hospital Facility

8451 Pearl Street

Thornton, Colorado

December ____, 2004

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SECOND
AMENDED AND RESTATED LEASE AGREEMENT

This SECOND AMENDED AND RESTATED LEASE AGREEMENT (the "Lease") is dated as of the ____ day of December, 2004, and is between 8451 PEARL STREET, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and 8451 PEARL STREET OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, PA 17055.

W I T N E S S E T H:

WHEREAS, Lessor is the current owner of that certain real property located in Thornton, Adams County, Colorado, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon;

WHEREAS, Lessor and Lessee entered into that certain North Valley Rehabilitation Hospital Lease dated as of May 28, 2003 (the "Original Lease");

WHEREAS, Lessor and Lessee entered into that certain Amended and Restated Lease Agreement dated August 17, 2004, whereby the Original Lease was amended and restated (the "Restated Original Lease"), and a Memorandum of Lease Agreement dated August 17, 2004 (the "Memorandum") was executed in connection with the Amended and Restated Lease Agreement, which Memorandum was recorded on August 25, 2004, in the Office of the Clerk, Adams County, Colorado, as Document Number 20040825000815210;

WHEREAS, Lessor and Lessee amended the Restated Original Lease by a Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors (the "Restated Original Lease, as amended by the Letter Amendment is hereinafter referred to as the "Amended and Restated Original Lease"); and

WHEREAS, Lessor and Lessee desire to further amend and restate the Amended and Restated Original Lease as set forth herein.

NOW, THEREFORE, the parties hereto hereby agree to this Second Amended and Restated Lease Agreement as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) all buildings, structures, Fixtures (as hereinafter defined) 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 Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on August 17, 2004 (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month after the Commencement Date.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under any of the Other Leases, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company,

partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

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

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 21.1(g).

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

Commencement Date: As defined in Article I.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) executed on June 17, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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.

Coverage Rent: The Initial Base Rent, increased beginning on January 1, 2006, by two and one-half percent (2.5%) per annum as provided in Section 3.1(c).

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

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The licensed rehabilitation hospital facility and all improvements in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Guarantors: Jointly and severally, Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), Vibra Management, LLC (formerly known as Highmark Management, LLC), Senior Real Estate Holdings, LLC, d/b/a The Hollinger Group and Brad E. Hollinger.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors or any Affiliate of Lessee or Guarantors to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

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 Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Base Rent: The sum of Seventy-Two Thousand Five Hundred Thirty-One and 39/100 Dollars (\$72,531.39) per month, being Eight Hundred Seventy Thousand Three Hundred Seventy-Six and 66/100 Dollars (\$870,376.66) per annum.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Initial Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease 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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including,

without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least \$50,000,000.

Lessee: 8451 Pearl Street Operating Company, a Delaware limited liability company, and its successors and permitted assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (but excluding accounts receivable), and consumable inventory and supplies, used or useful in Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses.

Lessor: 8451 Pearl Street, LLC, a Delaware limited liability company, and its successors and assigns.

Letter Amendment: The Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors.

Licenses: As defined in Article XXXIX.

Loan Guarantors: Senior Real Estate Holdings LLC d/b/a The Hollinger Group, Vibra Management, LLC (formerly known as Highmark Management, LLC) and Brad E. Hollinger.

Loan Guaranty: That certain Loan Guaranty to be effective the Commencement Date executed and delivered by Loan Guarantors to MPT Development Services in connection with the Loans.

Loans: The loans made by MPT Operating Partnership, L.P. and MPT Development Services to Vibra and certain of its Affiliates, evidenced by promissory notes and other security documents executed in connection therewith, including any such loans made after the date hereof.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Medicaid : The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

MPT: shall mean Medical Properties Trust, Inc., an Affiliate of Lessor.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: Any other leases entered into between Lessor or any Affiliate of Lessor and Lessee or Guarantor, or any Affiliate of Lessee and any Guarantor.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, Percentage Rent or any other sums payable under this Lease.

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

Permitted Exceptions: As defined in Article I.

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: That certain Purchase Agreement dated as of May 20, 2004, by and between THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC and THCI Mortgage Holding Company, LLC, as Seller, and MPT Operating Partnership, L.P., as Purchaser, as Vibra as a permitted assignee thereunder, as amended by those certain letter agreements dated June 3, June 4, June 14, June 29, and August 2, 2004.

Purchase Price: The Initial Purchase Price plus all additional costs and expenses incurred after the date of this Second Amended and Restated Lease Agreement, in association with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof), the Percentage Rent and the Additional Charges.

Revenue Threshold: The sum of One Hundred Ten Million and No/100 Dollars (\$110,000,000.00).

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of

assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 21.1.

Substitute Properties: As defined in Section 21.1.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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.

Vibra: Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), a Delaware limited liability company, an Affiliate of the Lessee.

ARTICLE III

RENT

3.1 BASE RENT AND PERCENTAGE RENT

Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firms or corporations as Lessor from time to time may designate in writing, Base Rent and Percentage Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, beginning on the Commencement Date, Lessee shall pay Lessor base rent (the "Base Rent") in an amount equal to the sum of Seventy-Two Thousand, Five Hundred Thirty-One and 39/100 Dollars (\$72,531.39) per month, being Eight Hundred Seventy Thousand, Three Hundred Seventy-Six and 66/100 Dollars (\$870,376.66) per annum. Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the tenth (10th) day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month); and

(b) PERCENTAGE RENT: So long as the Loans are outstanding, commencing with the calendar year beginning January 1, 2005 and beginning with the calendar month next succeeding the month in which Revenues for the Associated Facilities (as herein defined) exceed the Revenue Threshold (determined on an annualized basis), in addition to the Base Rent, Lessee shall pay to Lessor, subject to adjustment as herein provided, percentage rent (the "Percentage Rent") in an amount equal to two percent (the "Percentage Rate") of Revenues for the preceding month. Rent shall be payable on the tenth (10th) day following the end of the first fiscal quarter for which such Percentage Rent is payable. Each January 1 during the Term, the Percentage Rate shall be decreased pro rata from two percent (2%) per annum to one percent (1%) per annum based upon the amount of principal reduction made with respect to the Loans as of the end of the previous calendar year, it being understood and agreed that in no event shall the Percentage Rate be less than one percent (1%) per annum. For purposes hereof, the term "Associated Facilities" shall mean this Facility along with facilities leased by Lessor's Affiliates to Lessee's Affiliates in Kentfield, California, Fresno California, Marlton, New Jersey, Bowling Green, Kentucky and New Bedford, Massachusetts.

(c) ADJUSTMENT OF BASE RENT: Base Rent for the month of August, 2005, shall be payable in advance in the amount of Seventy-Nine Thousand Three Hundred Ten and 88/100 Dollars (\$79,310.88) (being calculated by applying 10.25% for part of the month and applying 12.23% for the other part of the month). Beginning on September 1, 2005, and continuing through December, 2005, Base Rent shall be payable in advance in equal, consecutive monthly installments of Eighty Six Thousand, Five Hundred Forty-Two and 33/100 Dollars (\$86,542.33) on or before the tenth (10th) day of each calendar month. Commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one half percent (2.5%) per annum of the previous year's Base Rent. If the previous year's Base Rent is for a partial year, Base Rent shall be adjusted as if it were a full year. Notwithstanding anything contained herein to the contrary, with respect to the adjustment of Base Rent for calendar year 2006, the increased Base Rent for calendar year 2006 will be calculated as if the annual rental rate of One Million, Thirty-Eight Thousand, Five Hundred Seven and 96/00 Dollars (\$1,038,507.96) applied to the entire calendar year 2005. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent, including approximately seven and one-half (7 1/2) months of Base Rent for the calendar year 2005, have been made by multiplying the Initial Purchase Price by 10.25% per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly (including

the Base Rent for calendar year 2005, if applicable) before adding and calculating the 2.5% annual increases as set forth above.

3.2 ADDITIONAL CHARGES

In addition to the Base Rent and Percentage Rent, (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, including, without limitation, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent or Percentage Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE

The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, and the payments of Percentage Rent and Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT.

Upon the execution hereof, Lessor shall loan Lessee an amount equal to twenty-five percent (25%) of the first full year's Base Rent (the "Lease Deposit"). The Lease Deposit shall be held by Lessor as security for the performance by Lessee of Lessee's covenants and obligations under the Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee. Lessor 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 Lessee hereunder or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of any default by Lessee. Following any such use of the Lease Deposit by the Lessor, Lessee shall deliver to Lessor on demand an amount sufficient to restore the aggregate amount held by Lessor, not including any interest earned on the Lease Deposit, to the amount of the original Lease Deposit. If Lessee is not in default at the termination of the Lease, and has complied with all of the provisions of this Lease to be performed by Lessee, including surrender of the Leased Property in accordance with the provisions hereof and has repaid the loan of the Lease Deposit, the Lease Deposit, not including any interest earned on such Lease Deposit, shall be returned by Lessor to Lessee, subject to any draws which have previously been made by Lessor against the Lease Deposit and not replenished by the Lessee. Lessee will not assign or encumber Lessee's interest in the Lease Deposit, and neither Lessor nor Lessor's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Any interest earned on the Lease Deposit will be for the sole benefit of the Lessor and shall not in any way reduce any amounts owed by Lessee under the terms hereof.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS

Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS

Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES

Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS

Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT

The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY

Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY

Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to Section 35.2 hereof and the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property

not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY

Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY

Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals, Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a rehabilitation hospital facility.

(a) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon as a rehabilitation hospital facility and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion, provided however, that Lessee shall be permitted to sublease a portion of the Leased Property for provision of therapy or physician office space without Lessor's consent so long as the sublease otherwise complies with the provisions of Article VIII, Article XXIV and Article XL hereof. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or

company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(b) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only in accordance with its Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(d) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS

Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS

Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS

Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its

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

No Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above.

8.4 HEALTHCARE LAWS

Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, 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 renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations.

Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of any of the above representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES

Lessee and each Guarantor represents and warrants to the Lessor that as of the date hereof as follows: (i) if applicable, such person or entity is a duly organized and existing limited liability company or limited partnership

and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of such person or entity, enforceable in accordance with their terms, (ii) neither the entering into this Lease nor the performance by such person or entity of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon such person or entity, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of such person or entity, threatened against or affecting, such person or entity or any of its affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of such person or entity or the ability of such person or entity to perform its obligations under this Lease or the other documents referred to herein, and (v) such person or entity and each of its affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

(e) Commencing on July 1, 2005, Lessee shall make quarterly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on July 1, 2005, shall be pro rated based upon one half of a year. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Hospital). The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2.50% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee 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; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY

(a) If no Event of Default shall have occurred or be continuing under this Lease or the Other Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) provide to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE

If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for

each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may reasonably request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans, other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of

Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS

Subject to Section 9.1(a), Lessee 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 Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE

All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIV, (f) 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, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (h) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS

During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed reasonably necessary by the Lessor and as described below. This insurance shall be written by companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-XII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. 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 Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance

policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, Lessee shall use its best efforts to obtain a policy which does contain such waiver, provided the same is obtainable at commercially reasonable rates; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date), (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. 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. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee'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 Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) per occurrence. Further, in the event of a loss, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor of any loss in the amount of Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater.

(b) Flood and earthquake insurance (rated A-VIII) shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(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 subparagraph 13.1(a) above, or under a separate policy.

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) 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 Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities 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 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.

(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 Five Million and 00/100 Dollars (\$5,000,000.00) 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 or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay one-half (1/2) the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE

In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably 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 Lessee on the Leased Property, 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 Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form reasonably satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that (i) it will give to Lessor sixty (60) days' prior written notice (at Lessor's address as specified in Article XXXIII hereof {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled, (ii) the policy will not lapse, terminate, be canceled or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at Lessor's Notice Address, (iii) in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXIII hereof.

13.5 INCREASE IN LIMITS

In the event that Lessor shall at any time in its reasonable discretion 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 Section. 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 Section, Lessee'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 Lessee provided that

(a) Any such blanket policy or policies are reasonably acceptable to and have been approved by the Lessor, which approval shall not be unreasonably withheld;

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts reasonably acceptable to Lessor.

13.7 NO SEPARATE INSURANCE

Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS

All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. In the event Lessor does not accept

Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XXI below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuited for its Primary Intended Use, Lessee 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 Lessee 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, Lessee may either (i) offer pursuant to Article XXII to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XXI and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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 Lessee 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 Unsuited for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XXII. Otherwise, if the Facility is totally or materially destroyed by a risk not covered by such insurance, this Lease shall terminate unless either party gives the other written notice within ninety (90) days of the destruction that the notifying party elects to restore the Facility at the notifying party's expense, in which event this Lease shall remain in full force and effect. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

14.4 LESSEE'S PERSONAL PROPERTY

All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property or Capital Additions financed by Lessee shall be paid to Lessor and Lessor shall hold such insurance proceeds in trust to pay the cost of repairing or replacing the damage to Lessee's Personal Property or the Capital Additions financed by Lessee.

14.5 RESTORATION OF LESSEE'S PROPERTY

If Lessee is required or elects to restore the Facility as provided in Sections 14.2 or 14.3, Lessee shall also restore all alterations and improvements made by Lessee, Lessee's Personal Property and all Capital Additions paid for by Lessee.

14.6 NO ABATEMENT OF RENT

This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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 OF PURCHASE

Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Lessee under this Lease to be terminated and to be without further force or effect.

14.9 WAIVER

Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS

"Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(a) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(b) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(c) "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 Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

15.5 RESTORATION

If there is a partial Taking of the Leased Property and this Lease remains in full force and effect pursuant to Section 15.4, Lessee shall accomplish all necessary restoration.

15.6 AWARD DISTRIBUTION

In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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 and Percentage 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) a default or event of default shall occur under any of the Other Leases, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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) if Guarantor's total debt is more than the greater of (i) one hundred percent (100%) of the total capitalization of the Guarantor, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantor, whichever is greater, or

(vii) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(viii) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(ix) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(x) the abandonment or vacation of the Leased Property by Lessee. Lessee's absence from the Leased Property for ninety (90) consecutive days shall constitute abandonment.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger,

consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or Vibra 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 twenty (20) days after receipt by Lessee of notice from Lessor thereof, or

(j) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor and Lessee or any Guarantor or any Affiliate of Lessee or any Guarantor, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a default shall occur under any of the Loans, or

(n) if a default shall occur under the Loan Guaranty.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

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

transfer to the Lessor all of the Licenses, including, without limitation, all Medicare and Medicaid provider numbers.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS

The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for herein:

(a) If the total required payments with respect to the total indebtedness of the Lessee when added to the Coverage Rent generates a coverage ratio to the Leased Property's EBITDAR of less than one hundred twenty-five percent (125%) for two consecutive fiscal quarters determined on an annualized basis, or

(b) The Lessee generates a Coverage Rent lease coverage from EBITDAR of less than one hundred fifty percent (150%) for two consecutive fiscal quarters determined on an annualized basis, or

(c) If the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(d) If the parent company of the Lessee makes a payment default on any of its corporate debt or other leases and such default is not cured within the cure periods provided for therein.

then the Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems needed, including, but not limited to, selling the Lessee's interest to a third party.

Upon the occurrence of any of the items in Section 16.1 or this Section 16.2, Lessor may, at its option, require Lessee to cancel the Management Agreement and to replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES

It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED. 16.5 WAIVER.

If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS

Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR

The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST

Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least ten (10) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the

Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's reasonable opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee

shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

SUBSTITUTION OF PROPERTY

21.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuitable for its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XXI, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Base Rent Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably appraised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XXI.

(c) If Lessee gives the notice referred to in Section 21.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety

(90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 21.2 and Section 21.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XXI, including without limitation the provisions of Sections 21.1(d), (e) and (f) below, the matter shall be submitted to arbitration at Lessor's discretion and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 21.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties, any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall

pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

21.2 CONDITIONS TO SUBSTITUTION

On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with full warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 21.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

21.3 CONVEYANCE TO LESSEE

On the Substitution Date or the date specified in the notice given pursuant to Section 21.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 21.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

21.4 EXPENSES

Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel and consultants, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) reasonable fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, if any, (h) title insurance charges, and (i) escrow fees. Lessee shall also pay for and obtain all necessary regulatory approvals including licensing, surveys and certificates of need for the Substitute Property.

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or

accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

Notwithstanding the existence of any insurance or self insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self insurance, Lessee will protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor by reason of: (a) any accident, injury to or death of persons or loss of percentage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims of malpractice, (b) any use, misuse, no use, condition, maintenance or repair by Lessee of the Leased Property, (c) any Impositions (which are the obligations of Lessee to pay pursuant to the applicable provisions of this Lease), (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord (Lessee) thereunder. Any amounts which become payable by Lessee under this Section shall be paid within fifteen (15) days after liability therefor on the part of Lessor is determined by litigation or otherwise and, if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct. Lessee's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXIV

SUBLETTING AND ASSIGNMENT; SUBORDINATION

24.1 SUBLETTING AND ASSIGNMENT

Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, that Lessee shall have the right to assign the Lease or sublease the Leased Property to an Affiliate without Lessor's prior written consent. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance reasonably satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described in Article XXXII hereof and such leases and subleases are deemed approved by Lessor under this paragraph.

24.2 ATTORNMENT

Lessee shall insert in each sublease permitted under Section 24.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing to Lessee under this Lease.

24.3 SUBLEASE LIMITATION

Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws.

24.4 SUBORDINATION

Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessee 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. Lessee 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, which subordination agreement shall be in such form and content as is reasonably acceptable to Lessor.

ARTICLE XXV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or

observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors (excluding Brad E. Hollinger) and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations performed in the Facility, certified to be true and correct by an officer of Lessee and the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by

separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exist certain leases and subleases on the Leased Property (the "Tenant Leases") which are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Tenant Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: 8451 Pearl Street Operating Company, LLC
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Mr. Brad E. Hollinger
Fax: (717) 591-5710

with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361

(b) if to Lessor: 8451 Pearl Street, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of

the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 OPTION TO PURCHASE

So long as Lessee is not in default under the terms of this Lease or the Other Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within three hundred sixty-five (365) days prior to the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Purchase Price (increased at the rate of two and one-half percent (2.5%) per annum from the Commencement Date). Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, the terms set forth in Article XVIII shall apply. If Lessee does not exercise Lessee's option to purchase within said three hundred sixty-five (365) day period, Lessor shall be free after the expiration of said three hundred sixty-five (365) day period to sell the Leased Property to any party.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

DEFAULT BY LESSOR

36.1 DEFAULT BY LESSOR

Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one

hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

36.2 LESSEE'S RIGHT TO CURE

Subject to the provisions of Section 36.1, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 36.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 36.2 shall survive the termination of this Lease.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR

Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form reasonably acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee and 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or any of the Other Leases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor's representations, warranties and agreements set forth herein or therein; 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 XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations 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.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee 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 Lessor or to Lessor's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Lessee shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Lessor or any new lessee or operator selected by Lessor, it being understood and agreed that such cooperation shall include, without limitation, (a) Lessee's assignment, if and to the extent allowed by law, to Lessor or Lessor's new lessee or operator of any and all Licenses, (b) Lessee'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 Lessor. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee. The provisions of this Section are in addition to the other provisions of this Lease.

It is an integral condition of this Lease that Lessee 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.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to provide documentation and sign, and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for the express purpose of signing, acknowledging and/or delivering any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all rehabilitation hospital licenses, Department of Human Services of the State of Kentucky ("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 Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (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 Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of Kentucky, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its

operation of the Leased Property as a licensed and Medicare and/or Medicaid certified rehabilitation hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL

Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

41.2 TRANSFER OF LICENSES

Upon the expiration or earlier termination of the Term, Lessee shall, if and to the extent allowed by law, transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits, licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

41.3 LESSOR'S EXPENSES

In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including reasonable legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any

other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

41.4 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), including, without limitation, the Letter Amendment, are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.5 GUARANTY

At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

41.6 LESSOR'S RIGHT TO SELL

Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property to a direct competitor of Lessee, without the consent of Lessee, which consent shall not be unreasonably withheld. For the purposes of this Section 41.6, the term "direct competitor" shall mean an entity operating a rehabilitation hospital.

41.7 FUTURE FINANCING

Lessee hereby agrees that if at any time during the Term the Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, or if Lessee wishes to expand or renovate the Leased Property or any other facilities leased to the Lessee under the Other Leases, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee.

41.8 SUBORDINATION OF LESSEE AND GUARANTORS

Lessee and Guarantors agree that (a) all indebtedness owed by Lessee under all agreements executed in connection with the Lessee's financing of certain personal property to be used in connection with the operation of the Facility, and (b) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

41.9 LESSOR SECURITIES OFFERING AND FILINGS

Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessee shall furnish Lessor with such financial and other information as Lessor shall request and Lessor and MPT 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 Commitment Letter, the Lessee, the Guarantors, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

41.10 LESSEE'S OBLIGATIONS UNDER PURCHASE AGREEMENT

Lessee shall perform all of its obligations under Sections 6.3, 6.4, 6.5, 6.6, 7.1(b), 7.4, 7.5, 7.8, 8.4(c) and 11.3 of the Purchase Agreement and, if requested to do so by Lessor, shall respond timely to all requests regarding such performance by the selling parties under the Purchase Agreement.

41.11 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.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

8451 PEARL STREET, LLC,
a Delaware limited liability company

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

By: /s/ Edward K. Aldag

Its: President and CEO

LESSEE:

8451 PEARL STREET OPERATING
COMPANY, LLC, a Delaware limited liability
company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

GUARANTORS:

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group), a Delaware limited
liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

/s/ Brad E. Hollinger

BRAD E. HOLLINGER

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by _____, the _____ of MPT Operating Partnership, L.P., the Sole Member of 8451 PEARL STREET, LLC, a Delaware limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of 8451 PEARL STREET OPERATING COMPANY, LLC, a Delaware limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of VIBRA HEALTHCARE, LLC (FORMERLY KNOWN AS HIGHMARK HEALTHCARE, LLC), a Delaware limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of SENIOR REAL ESTATE HOLDINGS, LLC (D/B/A THE HOLLINGER GROUP).

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER, as the President of VIBRA MANAGEMENT, LLC (FORMERLY KNOWN AS HIGHMARK MANAGEMENT, LLC), a Delaware limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me on this _____ day of _____, 2004, by BRAD E. HOLLINGER.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C

THORNTON, COLORADO

FIRST AMENDMENT TO
SECOND AMENDED AND RESTATED LEASE AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LEASE AGREEMENT (the "First Amendment") is made and entered into on this the 31st day of December, 2004, by and between 8451 PEARL STREET, LLC, a Delaware limited liability company ("Lessor"), and 8451 PEARL STREET OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee") as follows:

R E C I T A L S:

A. Lessor and Lessee entered into that certain Second Amended and Restated Lease Agreement dated as of December 20, 2004 (the "Lease"), whereby the Lessor leased to Lessee certain leased property, including the real property located in Thornton, Adams County, Colorado, as described in the Lease.

B. Lessor and Lessee desire to make certain amendments to the terms, conditions and provisions of the Lease.

NOW, THEREFORE, in consideration of mutual covenants, conditions and agreements herein contained, the parties hereto agree that the Lease is hereby amended as follows:

1. AMENDMENT.

Article XXI ("Substitution of Property") is hereby deleted in its entirety, and all references in the Lease to the substitution of property and the "substituted property" are hereby deleted in their entirety.

2. REPRESENTATION. Lessee represents and warrants that no consents, approvals or notices are required to be obtained from or given to any persons in connection with the execution of this First Amendment.

3. NO DEFAULTS. Lessee represents and warrants that all representations and warranties set forth in the Lease are true and correct at the date hereof and that there are no defaults or events of default under the Lease.

4. RATIFICATION. Except as expressly amended hereby, the Lease is hereby confirmed and ratified in all respects by each of the parties thereto.

5. MISCELLANEOUS.

(a) Lessee acknowledges, represents and warrants that the officer of the Lessee, whose name is signed to this First Amendment, has been duly and properly authorized by the Lessee to sign this First Amendment for and on behalf of the Lessee.

(b) This First Amendment may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument.

[See Following Page for Signatures]

IN WITNESS WHEREOF, Lessor and Lessee have executed this First Amendment to be effective as of the date first written above.

LESSOR:

8451 PEARL STREET, LLC, a Delaware limited liability company

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Its: Executive Vice President and Chief Financial Officer

LESSEE:

8451 PEARL STREET OPERATING COMPANY, LLC,
a Delaware limited liability company

By: /s/ Brad E. Hollinger

BRAD E. HOLLINGER
Its: President

STATE OF ALABAMA
JEFFERSON COUNTY

The foregoing instrument was acknowledged before me on this ____ day of _____, 200__, by R. Steven Hamner, as the Executive Vice President and Chief Financial Officer of 8451 Pearl Street, LLC, a Delaware limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

STATE OF _____
_____ COUNTY

The foregoing instrument was acknowledged before me on this ____ day of _____, 200__, by Brad E. Hollinger, as the President of 8451 Pearl Street Operating Company, LLC, a Delaware limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

SECOND
AMENDED AND RESTATED
LEASE AGREEMENT

4499 ACUSHNET AVENUE, LLC
a Delaware limited liability company

Lessor

AND

4499 ACUSHNET AVENUE OPERATING
COMPANY, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC)

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group)

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC)

BRAD E. HOLLINGER

Guarantors

Property: Long-Term Acute Care Hospital Facility

4499 Acushnet Avenue

New Bedford, Massachusetts

December __, 2004

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SECOND
AMENDED AND RESTATED LEASE AGREEMENT

This SECOND AMENDED AND RESTATED LEASE AGREEMENT (the "Lease") is dated as of the ____ day of December, 2004, and is between 4499 ACUSHNET AVENUE, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and 4499 ACUSHNET AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, PA 17055.

W I T N E S S E T H:

WHEREAS, Lessor is the current owner of that certain real property located in New Bedford, Bristol County, Southern District, Massachusetts, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon (the "Property");

WHEREAS, Meditrust of Massachusetts, Inc., as Lessor, entered into a Lease Agreement dated June 23, 2984, with Mediplex Rehabilitation of Massachusetts, Inc., as Lessee, and in connection therewith, a Notice of Facility Lease Agreement was recorded in Book 3322, Page 302, and filed as Document No. 64434 (the "Meditrust/Mediplex Lease");

WHEREAS, Meditrust of Massachusetts, Inc. merged into Meditrust Company, LLC as evidenced by Certificate of Merger filed with the Bristol County Registry Southern District as Document No. 72228; Meditrust Company, LLC merged into New Meditrust Company, LLC, a Delaware limited liability company, as evidenced by Certificate of Merger recoded and filed along with that certain Quitclaim Deed recorded in Book 4466, Page 118, and filed as Document No. 75265 whereby New Meditrust Company, LLC conveyed all of its rights and interest in the Property to Meditrust of Massachusetts; Meditrust of Massachusetts merged into Meditrust of Massachusetts, LLC by Certificate of Merger dated March 28, 2001, filed in the Office of the Secretary of State, Book 17378, Page 80, Book 33765, Page 342; and Meditrust of Massachusetts, LLC merged into THCI of Massachusetts, LLC by instrument recorded in Book 33765, Page 348;

WHEREAS, 4499 Acushnet Avenue Operating Company, LLC entered into that certain Operations and Transfer Agreement with Mediplex of Massachusetts, Inc., d/b/a Mediplex Rehabilitation Hospital whereby in accordance with that certain Stipulation and Order re Resolution of "Motion of THCI Company, LLC to enforce Stipulation and Order and for Emergency Relief" [Docket No. 8320] in the United States Bankruptcy Court for the District of Delaware, Chapter 11, Case No. 99-3657 (JKF), Docket No. 8320, In Re Sun Healthcare Group, Inc., Reorganized Debtor, filed April 21, 2003, Order dated April 28, 2003, the Meditrust/Mediplex Lease was terminated;

WHEREAS, THCI of Massachusetts, LLC and Lessee entered into that certain New Bedford Rehabilitation Hospital Lease dated as of July 1, 2003 (the "July 1, 2003 Lease");

WHEREAS, THCI of Massachusetts, LLC, a Delaware limited liability Company, successor in interest by merger to Meditrust of Massachusetts, Inc., conveyed the Property to Lessor by Quitclaim Deed dated November 10, 2003, recorded on January 29, 2004, in the Office of the Bristol County Land Records in Book 6762, Page 270, and filed as Document No. 89685, in the aforesaid Office;

WHEREAS, Lessor and Lessee entered into that certain Amended and Restated Lease Agreement dated August 17, 2004, whereby the July 1, 2003 Lease was amended and restated (the "First Amended and Restated Lease"), and a Memorandum of Lease Agreement dated August 17, 2004 (the "Memorandum") was executed in connection with the First Amended and Restated Lease, which Memorandum was recorded on October 1, 2004, in

the Office of the Bristol County Southern District Registry in Book 7206, Page 18, and filed as Document No. 91946;

WHEREAS, Lessor and Lessee amended the First Amended and Restated Lease by a Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors (the First Amended and Restated Lease, as amended by the Letter Amendment, is hereinafter referred to as the "Amended and Restated Lease")

WHEREAS, Lessor and Lessee desire to further amend and restate the Amended and Restated Lease as set forth herein.

NOW, THEREFORE, the parties hereto hereby agree to this Second Amended and Restated Lease Agreement as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) all buildings, structures, Fixtures (as hereinafter defined) 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 Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on August 17, 2004 (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month after the Commencement Date.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable

(the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under any of the Other Leases, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

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

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the

reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 21.1(g).

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

Commencement Date: As defined in Article I.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) executed on June 17, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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.

Coverage Rent: The Initial Base Rent, increased beginning on January 1, 2006, by two and one-half (2.5%) per annum as provided in Section 3.1(c) .

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

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The licensed long-term acute care hospital facility and all improvements in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Guarantors: Jointly and severally, Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), Vibra Management, LLC (formerly known as Highmark Management, LLC), Senior Real Estate Holdings, LLC, d/b/a The Hollinger Group and Brad E. Hollinger.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors or any Affiliate of Lessee or Guarantors to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

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 Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Base Rent: The sum of One Hundred Eighty-Eight Thousand Five Hundred Eighty-One and 61/100 Dollars (\$188,581.61) per month, being Two Million Two Hundred Sixty-Two Thousand Nine Hundred Seventy-Nine and 32/100 Dollars (\$2,262,979.32) per annum.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and

brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Initial Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease 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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least \$50,000,000.

Lessee: 4499 Acushnet Avenue Operating Company, a Delaware limited liability company, and its successors and permitted assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (but excluding accounts receivable), and consumable inventory and supplies, used or useful in Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses.

Lessor: 4499 Acushnet Avenue, LLC, a Delaware limited liability company, and its successors and assigns.

Letter Amendment: The Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors.

Licenses: As defined in Article XXXIX.

Loan Guarantors: Senior Real Estate Holdings LLC d/b/a The Hollinger Group, Vibra Management, LLC (formerly known as Highmark Healthcare, LLC) and Brad E. Hollinger.

Loan Guaranty: That certain Loan Guaranty to be effective the Commencement Date executed and delivered by Loan Guarantors to MPT Development Services in connection with the Loans.

Loans: The loans made by MPT Operating Partnership, L.P. and MPT Development Services to Vibra and certain of its Affiliates, evidenced by promissory notes and other security documents executed in connection therewith, including any such loans made after the date hereof.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Medicaid: The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

MPT: shall mean Medical Properties Trust, Inc., an Affiliate of Lessor.

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: Any other leases entered into between Lessor or any Affiliate of Lessor and Lessee or Guarantor, or any Affiliate of Lessee and any Guarantor.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, Percentage Rent or any other sums payable under this Lease.

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

Permitted Exceptions: As defined in Article I.

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: That certain Purchase Agreement dated as of May 20, 2004, by and between THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC and THCI Mortgage Holding Company, LLC, as Seller, and MPT Operating Partnership, L.P., as Purchaser, as Vibra as a permitted assignee thereunder, as amended by those certain letter agreements dated June 3, June 4, June 14, June 29, and August 2, 2004.

Purchase Price: The Initial Purchase Price, plus all costs and expenses incurred after the date of this Second Amended and Restated Lease Agreement, in association with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof), the Percentage Rent and the Additional Charges.

Revenue Threshold: The sum of One Hundred Ten Million and No/100 Dollars (\$110,000,000.00).

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 21.1.

Substitute Properties: As defined in Section 21.1.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or

other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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.

Vibra: Vibra Healthcare, LLC (formerly known as Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), a Delaware limited liability company, an Affiliate of the Lessee.

ARTICLE III

RENT

3.1 BASE RENT AND PERCENTAGE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person, firms or corporations as Lessor from time to time may designate in writing, Base Rent and Percentage Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, beginning on the Commencement Date, Lessee shall pay Lessor base rent (the "Base Rent") in an amount equal to the sum of One Hundred Eighty-Eight Thousand, Five Hundred Eighty-One and 61/100 Dollars (\$188,581.61) per month, being Two Million, Two Hundred Sixty-Two Thousand, Nine Hundred Seventy-Nine and 32/100 Dollars (\$2,262,979.32) per annum. Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the tenth (10th) day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month); and

(b) PERCENTAGE RENT: So long as the Loans are outstanding, commencing with the calendar year beginning January 1, 2005 and beginning with the calendar month next succeeding the month in which Revenues for the Associated Facilities (as herein defined) exceed the Revenue Threshold (determined on an annualized basis), in addition to the Base Rent, Lessee shall pay to Lessor, subject to adjustment as herein provided, percentage rent (the "Percentage Rent") in an amount equal to two percent (the "Percentage Rate") of Revenues for the preceding month. Percentage Rent shall be payable on the tenth (10th) day

following the end of the first fiscal quarter for which such Percentage Rent is payable. Each January 1 during the Term, the Percentage Rate shall be decreased pro rata from two percent (2%) per annum to one percent (1%) per annum based upon the amount of principal reduction made with respect to the Loans as of the end of the previous calendar year, it being understood and agreed that in no event shall the Percentage Rate be less than one percent (1%) per annum. For purposes hereof, the term "Associated Facilities" shall mean this Facility along with facilities leased by Lessor's Affiliates to Lessee's Affiliates in Kentfield, California, Fresno California, Marlton, New Jersey, Bowling Green, Kentucky and Thornton, Colorado.

(c) ADJUSTMENT OF BASE RENT: Base Rent for the month of August, 2005, shall be payable in advance in the amount of Two Hundred Six Thousand Two Hundred Eight and 28/100 Dollars (\$206,208.28) (being calculated by applying 10.25% for part of the month and applying 12.23% for the other part of the month). Beginning on September 1, 2005, and continuing through December, 2005, Base Rent shall be payable in advance in equal, consecutive monthly installments of Two Hundred Twenty-Five Thousand, Ten and 06/100 Dollars (\$225,010.06), on or before the tenth (10th) day of each calendar month. Commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one half percent (2.5%) per annum of the previous year's Base Rent. If the previous year's Base Rent is for a partial year, Base Rent shall be adjusted as if it were a full year. Notwithstanding anything contained herein to the contrary, with respect to the adjustment of Base Rent for calendar year 2006, the increased Base Rent for calendar year 2006 will be calculated as if the annual rental rate of Two Million, Seven Hundred Thousand, One Hundred Twenty and 69/00 Dollars (\$2,700,120.69) applied to the entire calendar year 2005. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent, including approximately seven and one-half (7 1/2) months of the Base Rent for the 2005 calendar year, have been made by multiplying the Initial Purchase Price by 10.25% per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly (including the Base Rent for the 2005 calendar year, if applicable) before adding and calculating the two and one-half percent (2.5%) annual increases as set forth above.

3.2 ADDITIONAL CHARGES.

In addition to the Base Rent and Percentage Rent, (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this lease, including, without limitation, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent or Percentage Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE.

The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, and the payments of Percentage Rent and Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other

charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT.

Upon the execution hereof, Lessor shall loan Lessee an amount equal to twenty-five percent (25%) of the first full year's Base Rent (the "Lease Deposit"). The Lease Deposit shall be held by Lessor as security for the performance by Lessee of Lessee's covenants and obligations under the Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee. Lessor 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 Lessee hereunder or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of any default by Lessee. Following any such use of the Lease Deposit by the Lessor, Lessee shall deliver to Lessor on demand an amount sufficient to restore the aggregate amount held by Lessor, not including any interest earned on the Lease Deposit, to the amount of the original Lease Deposit. If Lessee is not in default at the termination of the Lease, and has complied with all of the provisions of this Lease to be performed by Lessee, including surrender of the Leased Property in accordance with the provisions hereof and has repaid the loan of the Lease Deposit, the Lease Deposit, not including any interest earned on such Lease Deposit, shall be returned by Lessor to Lessee, subject to any draws which have previously been made by Lessor against the Lease Deposit and not replenished by the Lessee. Lessee will not assign or encumber Lessee's interest in the Lease Deposit, and neither Lessor nor Lessor's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Any interest earned on the Lease Deposit will be for the sole benefit of the Lessor and shall not in any way reduce any amounts owed by Lessee under the terms hereof.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS.

Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns

and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS.

Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES.

Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS.

Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT.

The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the

Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY.

Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY.

Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to Section 35.2 hereof and the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY.

Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals, Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a long-term acute care hospital facility.

(a) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon as a long-term acute care hospital facility and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion, provided however, that Lessee shall be permitted to sublease a portion of the Leased Property for provision of therapy or physician office space without Lessor's consent so long as the sublease otherwise complies with the provisions of Article VIII, Article XXIV and Article XL hereof. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(b) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only in accordance with its Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(d) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS.

Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require

confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS.

Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS.

Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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.

No Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without

limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above.

8.4 HEALTHCARE LAWS.

Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, 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 renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations.

Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of any of the above representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES.

Lessee and each Guarantor represents and warrants to the Lessor that as of the date hereof as follows: (i) if applicable, such person or entity is a duly organized and existing limited liability company or limited partnership and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of such person or entity, enforceable in accordance with their terms, (ii) neither the entering into this Lease nor the performance by such person or entity of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon such person or entity, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of such person or entity, threatened against or affecting, such person or entity or any of its affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of such person or entity or the ability of such person or entity to perform its obligations under this Lease or the other documents referred to herein, and (v) such person or entity and each of its affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with

reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

(e) Commencing on July 1, 2005, Lessee shall make quarterly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on July 1, 2005, shall be prorated based upon one half of a year. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum (the number of beds to be determined by the actual number of beds certified to be available for use in the Hospital). The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2.50% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement

Reserve. Lessor and Lessee 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; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) If no Event of Default shall have occurred or be continuing under this Lease or the Other Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVII, in connection with such Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) provide to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such

proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE.

If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may reasonably request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans, other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above,

satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS.

Subject to Section 9.1(a), Lessee 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 Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE.

All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIV, (f) 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, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (h) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due

hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS.

During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed reasonably necessary by the Lessor and as described below. This insurance shall be written by companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-XII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. 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 Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, Lessee shall use its best efforts to obtain a policy which does contain such waiver, provided the same is obtainable at commercially reasonable rates; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date), (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. 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. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee'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 Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) per occurrence. Further, in the event of a loss, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor of any loss in the amount of Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater.

(b) Flood and earthquake insurance (rated A-VIII) shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(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 subparagraph 13.1(a) above, or under a separate policy.

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) 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 Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities 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 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.

(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 Five Million and 00/100 Dollars (\$5,000,000.00) 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 or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay one-half (1/2) the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE.

In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably 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 Lessee on the Leased Property, 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 Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form reasonably satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that (i) it will give to Lessor sixty (60) days' prior written notice (at Lessor's address as specified in Article XXXIII hereof {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled, (ii) the policy will not lapse, terminate, be canceled or be amended or modified to reduce limits or coverage terms unless and until

Lessor has received not less than sixty (60) days' prior written notice at Lessor's Notice Address, (iii) in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXIII hereof.

13.5 INCREASE IN LIMITS.

In the event that Lessor shall at any time in its reasonable discretion 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 Section. 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 Section, Lessee'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 Lessee provided that

(a) Any such blanket policy or policies are reasonably acceptable to and have been approved by the Lessor, which approval shall not be unreasonably withheld;

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts reasonably acceptable to Lessor.

13.7 NO SEPARATE INSURANCE.

Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS.

All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

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 thereby is rendered Unsuited for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XXI below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(a) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuited for its Primary Intended Use, Lessee 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 Lessee 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, Lessee may either (i) offer pursuant to Article XXII to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(b) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility Mortgagee if required) to be held in trust together with any other insurance proceeds for application to the cost of repair and restoration.

(c) In the event Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XXI and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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 Lessee 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 Unsuited for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XXII. Otherwise, if the Facility is totally or materially destroyed by a risk not covered by such insurance, this Lease shall terminate unless either party gives the other written notice within ninety (90) days of the destruction that the notifying party elects to restore the Facility at the notifying party's expense, in which event this Lease shall remain in full force and effect. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

14.4 LESSEE'S PERSONAL PROPERTY.

All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property or Capital Additions financed by Lessee shall be paid to Lessor and Lessor shall hold such insurance proceeds in trust to pay the cost of repairing or replacing the damage to Lessee's Personal Property or the Capital Additions financed by Lessee.

14.5 RESTORATION OF LESSEE'S PROPERTY.

If Lessee is required or elects to restore the Facility as provided in Sections 14.2 or 14.3, Lessee shall also restore all alterations and improvements made by Lessee, Lessee's Personal Property and all Capital Additions paid for by Lessee.

14.6 NO ABATEMENT OF RENT.

This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the

right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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 OF PURCHASE.

Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Lessee under this Lease to be terminated and to be without further force or effect.

14.9 WAIVER.

Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS.

If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING.

If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING.

If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own

expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

15.5 RESTORATION.

If there is a partial Taking of the Leased Property and this Lease remains in full force and effect pursuant to Section 15.4, Lessee shall accomplish all necessary restoration.

15.6 AWARD DISTRIBUTION.

In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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 and Percentage 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) a default or event of default shall occur under any of the Other Leases, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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) if Guarantor's total debt is more than the greater of (i) one hundred percent (100%) of the total capitalization of the Guarantor, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantor, whichever is greater, or

(vii) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(viii) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(ix) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(x) the abandonment or vacation of the Leased Property by Lessee. Lessee's absence from the Leased Property for ninety (90) consecutive days shall constitute abandonment.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or Vibra 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 twenty (20) days after receipt by Lessee of notice from Lessor thereof, or

(j) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor and Lessee or any Guarantor or any Affiliate of Lessee or any Guarantor, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a default shall occur under any of the Loans, or

(n) if a default shall occur under the Loan Guaranty.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference

between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

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

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS.

The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for herein:

(a) If the total required payments with respect to the total indebtedness of the Lessee when added to the Coverage Rent generates a coverage ratio to the Leased Property's EBITDAR of less than one hundred twenty-five percent (125%) for two consecutive fiscal quarters determined on an annualized basis, or

(b) The Lessee generates a Coverage Rent lease coverage from EBITDAR of less than one hundred fifty percent (150%) for two consecutive fiscal quarters determined on an annualized basis, or

(c) If the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(d) If the parent company of the Lessee makes a payment default on any of its corporate debt or other leases and such default is not cured within the cure periods provided for therein.

then the Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems needed, including, but not limited to, selling the Lessee's interest to a third party.

Upon the occurrence of any of the items in Section 16.1 or this Section 16.2, Lessor may, at its option, require Lessee to cancel the Management Agreement and to replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES.

It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER.

If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS.

Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR.

The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST.

Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first

have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least ten (10) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's reasonable opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which

are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

SUBSTITUTION OF PROPERTY

21.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY.

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuited for its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XXI, upon written notice to Lessor, to substitute one or more properties (collectively referred to as "Substitute Properties" or individually as a "Substitute Property") on a monthly Base Rent Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have

informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably apprised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XXI.

(c) If Lessee gives the notice referred to in Section 21.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 21.2 and Section 21.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XXI, including without limitation the provisions of Sections 21.1(d), (e) and (f) below, the matter shall be submitted to arbitration at Lessor's discretion and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 21.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for

"boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties, any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

21.2 CONDITIONS TO SUBSTITUTION.

On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and

are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with full warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 21.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

21.3 CONVEYANCE TO LESSEE.

On the Substitution Date or the date specified in the notice given pursuant to Section 21.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 21.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

21.4 EXPENSES.

Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the Substitute Property, including but not limited to (a) fees and expenses of its counsel and consultants, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) reasonable fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, if any, (h) title insurance charges, and (i) escrow fees. Lessee shall also pay for and obtain all necessary regulatory approvals including licensing, surveys and certificates of need for the Substitute Property.

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

Notwithstanding the existence of any insurance or self insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self insurance, Lessee will protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor by reason of: (a) any accident, injury to or death of persons or loss of percentage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims of malpractice, (b) any use, misuse, no use, condition, maintenance or repair by Lessee of the Leased Property, (c) any Impositions (which are the obligations of Lessee to pay pursuant to the applicable provisions of this Lease), (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord (Lessee) thereunder. Any amounts which become payable by Lessee under this Section shall be paid within fifteen (15) days after liability therefor on the part of Lessor is determined by litigation or otherwise and, if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct. Lessee's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXIV

SUBLETTING AND ASSIGNMENT; SUBORDINATION

24.1 SUBLETTING AND ASSIGNMENT.

Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, that Lessee shall have the right to assign the Lease or sublease the Leased Property to an Affiliate without Lessor's prior written consent. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance reasonably satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described in Article XXXII hereof and such leases and subleases are deemed approved by Lessor under this paragraph.

24.2 ATTORNTMENT.

Lessee shall insert in each sublease permitted under Section 24.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

24.3 SUBLEASE LIMITATION.

Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws.

24.4 SUBORDINATION.

Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessee 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. Lessee 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, which subordination agreement shall be in such form and content as is reasonably acceptable to Lessor.

ARTICLE XXV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors (excluding Brad E. Hollinger) and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations performed in the Facility, certified to be true and correct by an officer of Lessee and the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or

the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exist certain leases and subleases on the Leased Property (the "Tenant Leases") which are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Tenant Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

(a) if to Lessee: 4499 Acushnet Avenue Operating Company, LLC
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Mr. Brad E. Hollinger
Fax: (717) 591-5710

with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361

(b) if to Lessor: 4499 Acushnet Avenue, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date);

provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 OPTION TO PURCHASE.

So long as Lessee is not in default under the terms of this Lease or the Other Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within three hundred sixty-five (365) days prior to the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Purchase Price (increased at the rate of two and one-half percent (2.5%) per annum from the Commencement Date). Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, the terms set forth in Article XVIII shall apply. If Lessee does not exercise Lessee's option to purchase within said three hundred sixty-five (365) day period, Lessor shall be free after the expiration of said three hundred sixty-five (365) day period to sell the Leased Property to any party.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price

adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

DEFAULT BY LESSOR

36.1 DEFAULT BY LESSOR.

Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

36.2 LESSEE'S RIGHT TO CURE.

Subject to the provisions of Section 36.1, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 36.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 36.2 shall survive the termination of this Lease.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR.

Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect

to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form reasonably acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee and 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or any of the Other Leases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor's representations, warranties and agreements set forth herein or therein; 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 XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations 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.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the

Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee 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 Lessor or to Lessor's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Lessee shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Lessor or any new lessee or operator selected by Lessor, it being understood and agreed that such cooperation shall include, without limitation, (a) Lessee's assignment, if and to the extent allowed by law, to Lessor or Lessor's new lessee or operator of any and all Licenses, (b) Lessee'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 Lessor. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee. The provisions of this Section are in addition to the other provisions of this Lease.

It is an integral condition of this Lease that Lessee 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.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to provide documentation and sign, and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for the express purpose of signing, acknowledging and/or delivering any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all long-term acute care hospital licenses, Department of Human Services of the State of Kentucky ("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 Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that

(irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (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 Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of Kentucky, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHHS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its operation of the Leased Property as a licensed and Medicare and/or Medicaid certified long-term acute care hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL.

Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

41.2 TRANSFER OF LICENSES.

Upon the expiration or earlier termination of the Term, Lessee shall , if and to the extent allowed by law, transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits, licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

41.3 LESSOR'S EXPENSES.

In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including reasonable legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

41.4 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), including, without limitation, the Letter Amendment, are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.5 GUARANTY.

At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

41.6 LESSOR'S RIGHT TO SELL.

Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property to a direct competitor of Lessee, without the consent of Lessee, which consent shall not be unreasonably withheld. For the purposes of this Section 41.6, the term "direct competitor" shall mean an entity operating a long-term acute care hospital.

41.7 FUTURE FINANCING.

Lessee hereby agrees that if at any time during the Term the Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, or if Lessee wishes

to expand or renovate the Leased Property or any other facilities leased to the Lessee under the Other Leases, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee.

41.8 SUBORDINATION OF LESSEE AND GUARANTORS.

Lessee and Guarantors agree that (a) all indebtedness owed by Lessee under all agreements executed in connection with the Lessee's financing of certain personal property to be used in connection with the operation of the Facility, and (b) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

41.9 LESSOR SECURITIES OFFERING AND FILINGS.

Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessee shall furnish Lessor with such financial and other information as Lessor shall request and Lessor and MPT 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 Commitment Letter, the Lessee, the Guarantors, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

41.10 LESSEE'S OBLIGATIONS UNDER PURCHASE AGREEMENT.

Lessee shall perform all of its obligations under Sections 6.3, 6.4, 6.5, 6.6, 7.1(b), 7.4, 7.5, 7.8, 8.4(c) and 11.3 of the Purchase Agreement and, if requested to do so by Lessor, shall respond timely to all requests regarding such performance by the selling parties under the Purchase Agreement.

41.11 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.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

4499 ACUSHNET AVENUE, LLC,
a Delaware limited liability company

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Its: President and CEO

LESSEE:

4499 ACUSHNET AVENUE OPERATING
COMPANY, LLC, a Delaware limited liability
company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

GUARANTORS:

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group), a
Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

/s/ Brad E. Hollinger

BRAD E. HOLLINGER

STATE OF ALABAMA

JEFFERSON COUNTY

On this _____ day of August, 2004, before me appeared Richard S. Hamner, to me personally known, who, being by me duly sworn, did say that he is the Executive Vice President and Chief Financial Officer of MPT Operating Partnership, L.P., the Sole Member of 4499 ACUSHNET AVENUE, LLC, a Delaware limited liability company, and that said limited partnership and limited liability company have no corporate seals, and that said instrument was signed on behalf of said limited partnership, as the sole member of said limited liability company, by proper limited partnership authority and said Richard S. Hamner acknowledged said instrument to be the free act and deed of said limited partnership, as the sole member of said limited liability company.

NOTARY PUBLIC

Printed Name: _____

My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me appeared BRAD E. HOLLINGER, to me personally known, who, being by me duly sworn, did say that he is the President of 4499 ACUSHNET AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company, and that said limited liability company has no corporate seal, and that said instrument was signed on behalf of said limited liability company by proper limited liability company authority and said Brad E. Hollinger acknowledged said instrument to be the free act and deed of said limited liability company.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me appeared BRAD E. HOLLINGER, to me personally known, who, being by me duly sworn, did say that he is the President of VIBRA HEALTHCARE, LLC (FORMERLY KNOWN AS HIGHMARK HEALTHCARE, LLC), a Delaware limited liability company, and that said limited liability company has no corporate seal, and that said instrument was signed on behalf of said limited liability company by proper limited liability company authority and said Brad E. Hollinger acknowledged said instrument to be the free act and deed of said limited liability company.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me appeared BRAD E. HOLLINGER, to me personally known, who, being by me duly sworn, did say that he is the President of SENIOR REAL ESTATE HOLDINGS, LLC (D/B/A THE HOLLINGER GROUP), a Delaware limited liability company, and that said limited liability company has no corporate seal, and that said instrument was signed on behalf of said limited liability company by proper limited liability company authority and said Brad E. Hollinger acknowledged said instrument to be the free act and deed of said limited liability company.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me appeared BRAD E. HOLLINGER, to me personally known, who, being by me duly sworn, did say that he is the President of VIBRA MANAGEMENT, LLC (FORMERLY KNOWN AS HIGHMARK MANAGEMENT, LLC), a Delaware limited liability company, and that said limited liability company has no corporate seal, and that said instrument was signed on behalf of said limited liability company by proper limited liability company authority and said Brad E. Hollinger acknowledged said instrument to be the free act and deed of said limited liability company.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me personally appeared BRAD E. HOLLINGER, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C

NEW BEDFORD, MASSACHUSETTS

FIRST AMENDMENT TO
SECOND AMENDED AND RESTATED LEASE AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LEASE AGREEMENT (the "First Amendment") is made and entered into on this the 31st day of December, 2004, by and between 4499 ACUSHNET AVENUE, LLC, a Delaware limited liability company ("Lessor"), and 4499 ACUSHNET AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee") as follows:

R E C I T A L S:

A. Lessor and Lessee entered into that certain Second Amended and Restated Lease Agreement dated as of December 20, 2004 (the "Lease"), whereby the Lessor leased to Lessee certain leased property, including the real property located in New Bedford, Bristol County Southern District, Massachusetts, as described in the Lease.

B. Lessor and Lessee desire to make certain amendments to the terms, conditions and provisions of the Lease.

NOW, THEREFORE, in consideration of mutual covenants, conditions and agreements herein contained, the parties hereto agree that the Lease is hereby amended as follows:

1. AMENDMENT.

Article XXI ("Substitution of Property") is hereby deleted in its entirety, and all references in the Lease to the substitution of property and the "substituted property" are hereby deleted in their entirety.

2. REPRESENTATION. Lessee represents and warrants that no consents, approvals or notices are required to be obtained from or given to any persons in connection with the execution of this First Amendment.

3. NO DEFAULTS. Lessee represents and warrants that all representations and warranties set forth in the Lease are true and correct at the date hereof and that there are no defaults or events of default under the Lease.

4. RATIFICATION. Except as expressly amended hereby, the Lease is hereby confirmed and ratified in all respects by each of the parties thereto.

5. MISCELLANEOUS.

(a) Lessee acknowledges, represents and warrants that the officer of the Lessee, whose name is signed to this First Amendment, has been duly and properly authorized by the Lessee to sign this First Amendment for and on behalf of the Lessee.

(b) This First Amendment may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument.

[See Following Page for Signatures]

IN WITNESS WHEREOF, Lessor and Lessee have executed this First Amendment to be effective as of the date first written above.

LESSOR:

4499 ACUSHNET AVENUE, LLC,
a Delaware limited liability company

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner

Its: Executive Vice President and
Chief Financial Officer

LESSEE:

4499 ACUSHNET AVENUE OPERATING
COMPANY, LLC,
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger

Its: President

STATE OF ALABAMA
JEFFERSON COUNTY

On this ____ day of _____, 200____, before me, the undersigned authority, a Notary Public in and for said State, duly commissioned and sworn, personally appeared R. Steven Hamner, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Executive Vice President and Chief Financial Officer of MPT Operating Partnership, L.P., the Sole Member of 4499 ACUSHNET AVENUE, LLC, a Delaware limited liability company, and acknowledged to me that such limited partnership as the sole member of such limited liability company executed the same.

WITNESS my hand and official seal on this the _____ day of _____, 200____.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

STATE OF _____
_____ COUNTY

On this ____ day of _____, 2004, before me, the undersigned authority, a Notary Public in and for said State, duly commissioned and sworn, personally appeared Brad E. Hollinger, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of 4499 ACUSHNET AVENUE OPERATING COMPANY, LLC, a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

WITNESS my hand and official seal on this the _____ day of _____, 200____.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

THIRD
AMENDED AND RESTATED
LEASE AGREEMENT

KENTFIELD THCI HOLDING COMPANY, LLC
a Delaware limited liability company

Lessor

AND

1125 SIR FRANCIS DRAKE BOULEVARD OPERATING
COMPANY, LLC,
a Delaware limited liability company

Lessee

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC)

SENIOR REAL ESTATE HOLDINGS, LLC
(d/b/a The Hollinger Group)

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC)

BRAD E. HOLLINGER

Guarantors

Property: Long-Term Acute Care Hospital Facility

1125 Sir Francis Drake Boulevard

Kentfield, California

December ____, 2004

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THIRD AMENDED AND RESTATED LEASE AGREEMENT

This THIRD AMENDED AND RESTATED LEASE AGREEMENT (the "Lease") is dated as of the ____ day of December, 2004, and is between KENTFIELD THCI HOLDING COMPANY, LLC, a Delaware limited liability company ("Lessor"), having its principal office at 1000 Urban Center Drive, Suite 501, Birmingham, Alabama 35242, and 1125 SIR FRANCIS DRAKE BOULEVARD OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), having its principal office at 4550 Lena Drive, Mechanicsburg, PA 17055.

W I T N E S S E T H:

WHEREAS, Lessor is the current owner of that certain real property located in Kentfield, Marin County, California, which real property is more particularly described on EXHIBIT A attached hereto and incorporated herein by reference, and all improvements located thereon which are currently being used as a long-term acute care hospital commonly known as the Kentfield Rehabilitation Hospital;

WHEREAS, Meditrust of California, Inc., as Lessor, and Regency Rehab Hospitals, Inc., as Lessee, entered into a Lease as disclosed in Memorandum of Lease recorded August 15, 1997, Recorder's Serial Number 97-044134 of Official Records of Marin County (the "Meditrust/Mediplex Lease");

WHEREAS; Meditrust of California, Inc., a Delaware corporation merged with and into THCI of California, LLC, a Delaware LLC, as evidenced by a Certificate of Merger dated March 30, 2001, filed in the Office of the Secretary of State of the State of Delaware on March 30, 2001;

WHEREAS, by Grant Deed and Assignment of Lease dated March 29, 2001, THCI of California, LLC, a Delaware, LLC assigned all of its rights under the Original Lease to Kentfield THCI Holding Company LLC;

WHEREAS, Regency Rehab Hospitals, Inc., entered into an Operations and Transfer Agreement dated as of August 1, 2003 with 1125 Sir Francis Drake Boulevard Operating Company, LLC whereby in accordance with that certain Stipulation and Order re Resolution of "Motion of THCI Company, LLC to enforce Stipulation and Order and for Emergency Relief" [Docket No. 8320] in the United States Bankruptcy Court for the District of Delaware, Chapter 11, Case No. 99-3657 (JKF), Docket No. 8320, In Re Sun Healthcare Group, Inc., Reorganized Debtor, filed April 21, 2003, Order dated April 28, 2003, the Meditrust/Mediplex Lease was terminated;

WHEREAS, Lessor and Lessee entered into that certain Kentfield Rehabilitation Hospital Lease dated as of June 30, 2003 (the "Original Lease"), and amended and restated the Original Lease by that certain First Amended and Restated Kentfield Rehabilitation Hospital Lease between Kentfield THCI Holding Company, LLC, and 1125 Francis Drake Boulevard Operating Company, LLC, dated as of August 1, 2003 (the "First Amended and Restated Original Lease");

WHEREAS, Lessor and Lessee entered into that certain Second Amended and Restated Lease Agreement dated July 1, 2004 (the "Second Amended and Restated Original Lease"), and a Memorandum of Lease Agreement dated July 1, 2004 (the "Memorandum") was executed in connection with the Second Amended and Restated Original Lease, which Memorandum was recorded on July 6, 2004, in the Office of the Recorder, Official Records of Marin County, California, as Instrument No. 2004-0058158;

WHEREAS, Lessor and Lessee amended the Second Amended and Restated Original Lease by (i) a First Amendment to Second Amended and Restated Lease Agreement dated August 2, 2004, between Lessor and Lessee, and (ii) a Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors (the Second Amended and Restated Lease, as amended by the First Amendment and the Letter Amendment, is hereinafter referred to as the "Amended and Restated Original Lease"); and

WHEREAS, Lessor and Lessee desire to further amend and restate the Amended and Restated Original Lease as set forth herein.

NOW, THEREFORE, the parties hereto hereby agree to this Third Amended and Restated Lease Agreement as follows:

ARTICLE I

LEASED PROPERTY; TERM

Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the real property described on EXHIBIT A attached hereto (the "Land");

(b) all buildings, structures, Fixtures (as hereinafter defined) 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 Capital Additions (hereinafter defined) financed by Lessor (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements; and;

(d) 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 Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Lessee's Personal Property as defined in Article II below (collectively the "Fixtures").

SUBJECT, HOWEVER, to the matters set forth on EXHIBIT B attached hereto (the "Permitted Exceptions"); Lessee shall have and hold the Leased Property for (a) a fixed term (the "Fixed Term") commencing on July 1, 2004 (the "Commencement Date") and ending at midnight on the last day of the one hundred and eightieth (180th) month after the Commencement Date.

So long as Lessee is not in default under any of the terms and conditions of this Lease, or under any of the terms and conditions of the Other Leases (as hereinafter defined), Lessee shall have the option to extend the Fixed Term of this Lease on the same terms and conditions set forth herein for three (3) additional periods of five (5) years each (each an "Extension Term"). Lessee may exercise each such option by giving written notice to the Lessor at least three hundred sixty five (365) days prior to the expiration of the Fixed Term or Extension Term, as applicable (the "Extension Notice"). If during the period following the delivery of the Extension Notice to Lessor, Lessee shall fail to comply with all of the terms and provisions of this Lease, or a default or breach shall occur in this Lease or under any of the Other Leases, Lessee shall be deemed to have forfeited all Extension Options.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease, and (d) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Added Value Additional: As defined in Section 10.2.

Additional Charges: As defined in Section 3.2.

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "Affiliate" shall mean any person, corporation, limited liability company, partnership or other legal entity, which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company, or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, corporation, limited liability company, partnership or other legal entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, corporation, limited liability company, partnership or other legal entity, through the ownership of voting securities, partnership interests or other equity interests.

Award: As defined in Section 15.1.

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

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which money centers in the City of New York, New York are authorized, or obligated, by law or executive order, to close.

Capital Additions: One or more new buildings or one or more additional structures annexed to any portion of any of the Leased Improvements, which are constructed on any parcel or portion of the Land during the Term, including the construction of a new wing or new story.

Capital Addition Cost: The cost of any Capital Additions proposed to be made by Lessee whether or not paid for by Lessee or Lessor. Such cost shall include (a) the cost of construction of the Capital Additions, including site preparation and improvement, materials, labor, supervision and certain related design, engineering and architectural services, the cost of any fixtures, the cost of construction financing and miscellaneous costs approved by Lessor, (b) if agreed to by Lessor in writing in advance, the cost of any land contiguous to the Leased Property purchased for the purpose of placing thereon the Capital Additions or any portion thereof or for providing means of access thereto, or parking facilities therefor, including the cost of surveying the same, (c) the cost of insurance, real estate taxes, water and sewage charges and other carrying charges for such Capital Additions during construction, (d) the cost of title insurance, (e) reasonable fees and expenses of legal counsel, (f) filing, registration and recording taxes and fees, (g) documentary stamp taxes, if any, and (h) all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance the Capital Additions, including, but not limited to, (i) the reasonable fees and expenses of their respective legal counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, (vi) rating agency fees, if any, and (vii) commitment fees, if any, charged by any Lending Institution advancing or offering to advance any portion of the financing for such Capital Additions.

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

Cash Adjustment: As defined in Section 21.1(g).

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

Commencement Date: As defined in Article I.

Commitment Letter: The commitment letter between Lessor and Lessee (or their Affiliates) executed on June 17, 2004.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for Guarantors or Lessee and their respective consolidated subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles.

(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 generally accepted accounting principles subsequent to the most recent Statements of Cash Flow prior to the date thereof, except any net write-up in value of foreign currency in accordance with generally accepted accounting principles; 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.

Coverage Rent: The Initial Base Rent, increased beginning on January 1, 2006, by two and one-half per cent (2.5%) per annum as provided in Section 3.1(c).

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

Date of Taking: As defined in Section 15.1.

EBITDAR: Earnings before the deduction of interest, taxes, depreciation, amortization and rent, as determined in accordance with GAAP.

Encumbrances: As defined in Article XXXVII.

Event of Default: As defined in Section 16.1.

Extension Notice: As defined in Article I.

Extension Term: As defined in Article I.

Facility: The licensed long-term acute care hospital facility and all improvements in connection therewith operated on the Land.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions paid for by Lessee had been constructed.

Fair Market Value: The Fair Market Value of the Leased Property or any Substitute Property, including all Capital Additions, (a) and shall be determined in accordance with the appraisal procedures set forth in Article XXXIV or in such other manner as shall be mutually acceptable to Lessor and Lessee, (b) and shall not take into account any reduction in value resulting from any indebtedness to which the Leased Property or such Substitute Property is subject and which encumbrance Lessee or Lessor is otherwise required to remove pursuant to any provision of this Lease or agrees to remove at or prior to the closing of the transaction as to which such Fair Market Value determination is being made. The positive or negative effect on the value of the Leased Property or Substitute Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any Encumbrance on the Leased Property or any Substitute Property, as the case may be, which is not so required or agreed to be removed shall be taken into account in determining such Fair Market Value. Notwithstanding anything contained herein to the contrary, any appraisal of the Leased Property shall assume the Lease is in place for a term of fifteen (15) years, and based solely on the rents and other revenues generated and to be generated pursuant to this Lease without any regard to the Lessee's operations.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

First Amendment: The First Amendment to the Second Amended and Restated Lease Agreement dated August 2, 2004, between Lessor and Lessee.

Fiscal Year: The fiscal year for this Lease shall be the twelve (12) month period from January 1 to December 31.

Fixed Term: As defined in Article I.

Fixtures: As defined in Article I.

GAAP: Generally accepted accounting principles in the United States, consistently applied.

Guarantors: Jointly and severally, Vibra Healthcare, LLC (formerly Highmark Healthcare, LLC), Vibra Management, LLC (formerly Highmark Management, LLC), Senior Real Estate Holdings LLC, d/b/a The Hollinger Group and Brad E. Hollinger.

Guaranty: That certain Lease Guaranty to be effective the Commencement Date executed and delivered by Guarantors in favor of Lessor, pursuant to the terms of which Guarantors have unconditionally and irrevocably guaranteed the full, faithful and complete performance of Lessee's obligations under this Lease and any other obligations of Lessee, Guarantors or any Affiliate of Lessee or Guarantors to Lessor.

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, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder.

Healthcare Laws: All rules and regulations under the False Claims Act (31 U.S.C. Section 3729 et seq.), the Anti-Kickback Act of 1986 (41 U.S.C. Section 51 et seq.), the Federal Health Care Programs Anti-Kickback statute (42 U.S.C. Section 1320a-7a(b)), the Ethics in Patient Referrals Act of 1989, as amended (Stark Law) (42 U.S.C. 1395nn), the Civil Money Penalties Law (42 U.S.C. Section 1320a-7a), or the Truth in Negotiations (10 U.S.C. Section 2304 et seq.), Health Care Fraud (18 U.S.C. 1347), Wire Fraud (18 U.S.C. 1343), Theft or Embezzlement (18 U.S.C. 669), False Statements (18 U.S.C. 1001), False Statements (19 U.S.C. 1035), and Patient Inducement Statute, and equivalent state statutes and any and all rules or regulations promulgated by governmental entities with respect to any of the foregoing.

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 Lessor, 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 Lessee), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's interest in the Leased Property, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, sales from, or activity conducted on, or in connection with, the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock, financial institutions or other tax) imposed on Lessor, or (2) any transfer or net revenue tax of Lessor, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any portion of the Leased Property or the proceeds thereof, or (4) except as expressly provided elsewhere in this Lease, any principal or interest on any Encumbrance on the Leased Property, except to the extent that any tax, assessment, tax levy or charge which Lessee is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (1) or (2) is levied, assessed or imposed expressly in lieu thereof, in which case Lessee shall pay.

Initial Base Rent: The sum of Sixty-Five Thousand, Two Hundred Seventy-Eight and 25/100 Dollars (\$65,278.25) per month, being Seven Hundred Eighty-Three Thousand, Three Hundred Thirty-Nine and 00/100 Dollars (\$783,339.00) per annum.

Initial Purchase Price: A price equal to the purchase price paid by Lessor (and its Affiliates, including, without limitation, MPT Operating Partnership, L.P.) for the Leased Property pursuant to the Purchase Agreement, plus all costs and expenses incurred in association with the purchase and lease of such Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in the Initial Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans.

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

Land: As defined in Article I.

Lease: As defined in the Preamble.

Lease 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 Lessee to Lessor, pursuant to the terms of which Lessee has assigned to Lessor each of the Tenant Leases and Credit Enhancements, if any, as security for the obligations of Lessee under this Lease, the obligations of Guarantors under the Guaranty, and any other obligations of Lessee to Lessor, any Guarantor or any Affiliate of Lessee or any Guarantor to Lessor.

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

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Lessee's operation of its business on the Leased Property, along with the Leased Property or the construction, use or alteration thereof (including, without limitation, the Americans With Disabilities Act and Section 504 of the Rehabilitation Act of 1973) whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications, or alterations in or to the Leased Property, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lending Institution: Any insurance company, federally insured commercial or savings bank, national banking association, savings and loan association, employees' welfare, pension or retirement fund or system, corporate profit-sharing or pension trust, college or university, or real estate investment trust, including any corporation qualified to be treated for federal tax purposes as a real estate investment trust, having a net worth of at least Fifty Million Dollars (\$50,000,000).

Lessee: 1125 Sir Francis Drake Boulevard Operating Company, LLC, a Delaware limited liability company, and its successors and permitted assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers, trade fixtures or other personal property (but excluding accounts receivable), and consumable inventory and supplies, used or useful in Lessee's business on the Leased Property for which the Lessee has paid for out of its own funds, including without limitation, all items of furniture, furnishings, equipment, supplies and inventory, and Lessee's operating licenses.

Lessor: Kentfield THCI Holding Company, LLC, a Delaware limited liability company, and its successors and assigns.

Letter Amendment: The Letter Amendment dated October 19, 2004, between Lessor, Lessee and Guarantors.

Licenses: As defined in Article XXXIX.

Loan Guarantors: Senior Real Estate Holdings LLC d/b/a The Hollinger Group, Vibra Management, LLC (formerly known as Highmark Management, LLC) and Brad E. Hollinger.

Loan Guaranty: That certain Loan Guaranty to be effective the Commencement Date executed and delivered by Loan Guarantors to MPT Development Services in connection with the Loans.

Loans: The loans made by MPT Operating Partnership, L.P. and MPT Development Services to Vibra and certain of its Affiliates, evidenced by promissory notes and other security documents executed in connection therewith, including any such loans made after the date hereof.

Management Agreement: Any contracts and agreements for the management of any part of the Leased Property, including, without limitation, the real estate and the Leased Improvements and the operations of the Facility.

Management Company: Any person, firm, corporation or other entity or individual who or which will manage any part of the Leased Property pursuant to a Management Agreement.

Medicaid: The medical assistance program established by Title XIX of the Social Security Act (42 U.S.C. Sections 1396 et seq.) and any statute succeeding thereto.

Medicare: The health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. Sections 1395 et seq.) and any statute succeeding thereto.

MPT: shall mean Medical Properties Trust, Inc., an Affiliate of Lessor

MPT Development Services: MPT Development Services, Inc., an Affiliate of Lessor.

Non-Capital Addition: As defined in Section 10.4.

Officer's Certificate: A certificate of Lessee signed by the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of Lessee or another officer authorized to so sign by the Board of Directors or other governing body of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any of the persons holding the foregoing offices.

Other Leases: Any other leases entered into between Lessor or any Affiliate of Lessor and Lessee or Guarantor, or any Affiliate of Lessee and any Guarantor.

Overdue Rate: On any date, a rate per annum equal to the highest rate allowed by the laws of the State of Alabama.

Payment Date: Any due date for the payment of the installments of Base Rent, Additional Rent, Percentage Rent or any other sums payable under this Lease.

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

Permitted Exceptions: As defined in Article I.

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: That certain Purchase Agreement dated as of May 20, 2004, by and between THCI Company, LLC, THCI of California, LLC, THCI of Massachusetts, LLC and THCI Mortgage Holding Company, LLC, as Seller, and MPT Operating Partnership, L.P., as Purchaser, as Vibra as a permitted assignee thereunder, as amended by those certain letter agreements dated June 3, June 4, June 14, June 29, and August 2, 2004.

Purchase Price: The Initial Purchase Price, plus all costs and expenses incurred after the date of this Third Amended and Restated Lease, in association with the purchase and lease of the Leased Property, including, but not limited to, legal, appraisal, title, survey, environmental, engineering and other fees paid to advisors and brokers and site visits, and any expenses incurred with respect to the THCI Transaction (as defined in the Purchase Agreement and the Commitment Letter); provided, however, that no such costs or expenses shall be included in Purchase Price to the extent they are being paid by Lessee in cash or repaid by Lessee pursuant to the Loans (collectively the "Purchase Price Adjustment").

Purchase Price Adjustment: As defined in the above definition of "Purchase Price."

Rent: Collectively, the Base Rent (as increased in accordance with the provisions of Section 3.1(c) hereof), the Percentage Rent and the Additional Charges.

Revenue Threshold: The sum of One Hundred Ten Million and No/100 Dollars (\$110,000,000.00).

Revenues: Collectively, all revenues generated by reason of the operation of the Facility, whether or not directly received or to be received by the Lessee, including, without limitation, all patient and/or resident revenues received or receivable for the use of, or otherwise by reason of, all rooms, beds, units and other facilities provided, meals served, services performed, space or facilities subleased or goods sold on or from the Facility; provided, however, that Revenues shall not include non-operating revenues such as interest income or gain from the sale of assets not sold in the ordinary course of business; and provided, further, that there shall be excluded or deducted (as the case may be) from such revenues; (i) contractual allowances for billings not paid by or received from the governmental authorities or third party payors, (ii) allowances according to GAAP for uncollectible accounts, (iii) all proper patient or resident billing credits and adjustments according to GAAP related to health care accounting, (iv) deposits refundable to patients/residents of the Facility and (v) provider discounts for hospital or other medical facility utilization contracts.

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

Statements of Cash Flow: For any fiscal year or other accounting period for Guarantors or Lessee and their respective consolidated subsidiaries, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles.

Substitution Date: As defined in Section 21.1.

Substitute Properties: As defined in Section 21.1.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tenant: The lessees or tenants under the Tenant Leases, if any.

Tenant 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.

Term: The actual duration of this Lease, including the Fixed Term and the Extension Terms (if exercised by the Lessee) and taking into account any termination.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto.

Unsuitable for Its Primary Intended Use: As used anywhere in this Lease, the term "Unsuitable for Its Primary Intended Use" shall mean that, by reason of damage or destruction, or a partial Taking by Condemnation, in the good faith judgment of Lessee, reasonably exercised, 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.

Vibra: Vibra Healthcare, LLC (formerly known as Highmark Healthcare, LLC), a Delaware limited liability company, an Affiliate of the Lessee.

ARTICLE III

RENT

3.1 BASE RENT AND PERCENTAGE RENT. Lessee shall pay to Lessor, in advance and without notice, demand, set off or counterclaim, in lawful money of the United States of America, at Lessor's address set forth herein or at such other place or to such other person as Lessor from time to time may designate in writing, Base Rent and Percentage Rent during the Term as follows:

(a) BASE RENT: Subject to adjustment as provided herein, Lessee shall pay Lessor base rent (the "Base Rent") in an amount equal to the sum of Sixty-Five Thousand, Two Hundred Seventy-Eight and 25/100 Dollars (\$65,278.25) per month, being Seven Hundred Eighty-Three Thousand, Three Hundred Thirty-Nine and 00/100 Dollars (\$783,339.00) per annum. Base Rent shall be payable in advance in equal, consecutive monthly installments on or before the tenth (10th) day of each calendar month during the Term, commencing on the Commencement Date (prorated as to any partial month); and

(b) PERCENTAGE RENT: So long as the Loans are outstanding, commencing with the calendar year beginning January 1, 2005, and beginning with the calendar month next succeeding the month in which Revenues for the Associated Facilities (as herein defined) exceed the Revenue Threshold (determined on an annualized basis), in addition to the Base Rent, Lessee shall pay to Lessor, subject to adjustment as herein provided, percentage rent (the "Percentage Rent") in an amount equal to two percent (the "Percentage Rate") of Revenues for the preceding month. Percentage Rent shall be payable on the tenth (10th) day following the end of the first fiscal quarter for which such Percentage Rent is payable. Each January 1 during the Term, the Percentage Rate shall be decreased pro rata from two percent (2%) per annum to one percent (1%) per annum based upon the amount of principal reduction made with respect to the Loans as of the end of the previous calendar year, it being understood and agreed that in no event shall the Percentage Rate be less than one percent (1%) per annum. For purposes hereof, the term "Associated Facilities" shall mean this Facility along with facilities leased by Lessor's Affiliates to Lessee's Affiliates in Fresno, California, Marlton, New Jersey, Bowling Green, Kentucky, New Bedford, Massachusetts, and Thornton Colorado.

(c) ADJUSTMENT OF BASE RENT: Beginning on July 1, 2005 and continuing through December, 2005, Base Rent shall be payable in advance in equal, consecutive monthly installments of Seventy-Seven Thousand, Eight Hundred Eighty-Eight and 10/100 Dollars (\$77,888.10) on or before the tenth (10th) day of each calendar month. Commencing on January 1, 2006, and on each January 1 thereafter during the term of this Lease, the Base Rent shall be increased by two and one half percent (2.5%) per annum of the previous year's Base Rent. If the previous year's Base Rent is for a partial year, Base Rent shall be adjusted as if it were a full year. Notwithstanding anything contained herein to the contrary, with respect to the adjustment of Base Rent for calendar year 2006, the increased Base Rent for calendar year 2006 will be calculated as if the annual rental rate of Nine Hundred Thirty-Four Thousand, Six Hundred Fifty-Seven and 16/100 Dollars (\$934,657.16) applied to the entire calendar year 2005. Notwithstanding anything contained herein to the contrary, the parties hereto acknowledge and agree that all calculations of Base Rent, including six (6) months of the Base Rent for calendar year 2005, have been made by multiplying the Initial Purchase Price by 10.25% per annum. In the event the Initial Purchase Price is adjusted and increased by the Purchase Price Adjustment, then all calculations of Base Rent shall be adjusted accordingly (including the Base Rent for calendar year 2005, if applicable) before adding and calculating the 2.5% annual increases as set forth above.

3.2 ADDITIONAL CHARGES. In addition to the Base Rent and Percentage Rent, (a) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, including, without limitation, all licensure violations, civil monetary penalties and fines, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) above, Lessee will also promptly pay and discharge every fine, penalty, interest and cost which may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) above being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided in this Lease, by statute or otherwise, in the case of non-payment of the Additional Charges, as in the case of the Base Rent or Percentage Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Lessor) shall not be paid within five (5) Business Days after its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is less) on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due.

3.3 ABSOLUTE TRIPLE NET LEASE. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Base Rent, and the payments of Percentage Rent and Additional Charges throughout the Term, but subject to any other provisions of this Lease which expressly provide for adjustment of Rent or other charges. Lessee further acknowledges and agrees that all charges, assessments or payments of any kind due and payable without notice, demand, set off or counterclaim under the Permitted Exceptions shall be paid by Lessee as they become due and payable.

3.4 LEASE DEPOSIT. Upon the execution hereof, Lessor shall loan Lessee an amount equal to twenty-five percent (25%) of the first full year's Base Rent (the "Lease Deposit"). The Lease Deposit shall be held by Lessor as security for the performance by Lessee of Lessee's covenants and obligations under the Lease. The Lease Deposit shall not be considered an advance payment of rental or a measure of Lessor's damages in case of default by Lessee. Lessor 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 Lessee hereunder or to compensate Lessor for any other loss or damage which Lessor may suffer by reason of any default by Lessee. Following any such use of the Lease Deposit by the Lessor, Lessee shall deliver to Lessor on demand an amount sufficient to restore the aggregate amount held by Lessor, not including any interest earned on the Lease Deposit, to the amount of the original Lease Deposit. If Lessee is not in default at the termination of the Lease, and has complied with all of the provisions of this Lease to be performed by Lessee, including surrender of the Leased Property in accordance with the provisions

hereof and has repaid the loan of the Lease Deposit, the Lease Deposit, not including any interest earned on such Lease Deposit, shall be returned by Lessor to Lessee, subject to any draws which have previously been made by Lessor against the Lease Deposit and not replenished by the Lessee. Lessee will not assign or encumber Lessee's interest in the Lease Deposit, and neither Lessor nor Lessor's successors or assigns will be bound by any such attempted assignment or encumbrance of the Lease Deposit. Any interest earned on the Lease Deposit will be for the sole benefit of the Lessor and shall not in any way reduce any amounts owed by Lessee under the terms hereof.

ARTICLE IV

IMPOSITIONS

4.1 PAYMENT OF IMPOSITIONS. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and Lessee will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the Lessor, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent permitted by applicable law, prepare and file all tax returns and reports as may be required by governmental authorities in respect of Lessor's net income, gross receipts, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Lessor is legally required to file personal property tax returns, Lessee will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Lessee to file a protest. Lessee may, upon giving notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Billings for reimbursement by Lessee to Lessor of personal property taxes shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made.

4.2 ADJUSTMENT OF IMPOSITIONS. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

4.3 UTILITY CHARGES. Lessee will contract for, in its own name, and will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.4 INSURANCE PREMIUMS. Lessee will contract for in its own name and will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term.

ARTICLE V

NO TERMINATION

5.1 ACKNOWLEDGEMENT. The parties hereto understand, acknowledge and agree that this is an absolute triple net lease. Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, or the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (c) any claim which Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

OWNERSHIP OF LEASED PROPERTY AND PERSONAL PROPERTY

6.1 OWNERSHIP OF THE LEASED PROPERTY. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 LESSEE'S PERSONAL PROPERTY. Lessee may (and shall as provided hereinbelow), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to Section 35.2 hereof and the conditions set forth below, remove the same upon the expiration or any prior termination of the Term. Lessee shall provide and maintain during the entire Term all such Lessee's Personal Property as shall be necessary in order to operate the Facility in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. All of Lessee's Personal Property not removed by Lessee within seven (7) days following the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee, without any payment to Lessee and without any obligation to Lessee to account therefor. Lessee will, at its expense, restore the Leased Property at the expiration or earlier termination of this Lease to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 CONDITION OF THE LEASED PROPERTY. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has acquired knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purpose hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 USE OF THE LEASED PROPERTY.

(a) Lessee covenants that it will obtain and maintain throughout the entire Term all approvals needed to use and operate the Leased Property and the Facility for the Primary Intended Use, as defined below, under applicable local, state and federal law, including but not limited to licensure approvals, Medicare and/or a Medicaid certifications, provider numbers, certificates of need, governmental approvals, and full accreditation from all applicable governmental authorities, if any, that are necessary for the operation of the Facility as a long-term acute care hospital facility.

(b) Beginning on the Commencement Date and during the entire Term, Lessee shall use the Leased Property and the improvements thereon as a long-term acute care hospital facility and for such other uses as may be necessary in connection with or incidental to such use (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent Lessee agrees may be withheld in Lessor's sole discretion, provided however, that Lessee shall be permitted to sublease a portion of the Leased Property for provision of therapy or physician office space without Lessor's consent so long as the sublease otherwise complies with the provisions of Article VIII, Article XXIV and Article XL hereof. No use shall be made or permitted to be made of the Leased Property and no acts shall be done which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, any other insurance policies required to be carried hereunder, or fire underwriters regulations. Lessee shall, at its sole cost, comply with all of the requirements, covenants and restrictions pertaining to the Leased Property, including, without limitation, all of the Permitted Exceptions, and other requirements of any insurance board, association, organization or company necessary for the maintenance of the insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee covenants and agrees that during the Term it will continuously operate the Leased Property only in accordance with its Primary Intended Use and Lessee shall maintain its certifications for reimbursement and licensure and all accreditations.

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

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition whether or not financed by Lessor, or Lessee's Personal Property, to be used in such a

manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

7.3 LESSOR TO GRANT EASEMENTS. Lessor will, from time to time so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense, but subject to the reasonable approval of Lessor (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 Lessor of an Officer's Certificate stating (and such other information as Lessor may reasonably require confirming) that such grant, release, dedication, transfer, petition or amendment is required for and not detrimental to the proper conduct of the Primary Intended Use on the Leased Property and does not reduce its value.

ARTICLE VIII

LEGAL AND INSURANCE REQUIREMENTS

8.1 COMPLIANCE WITH LEGAL AND INSURANCE REQUIREMENTS. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural change in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements, accreditations and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation, any Capital Additions. Upon Lessor's request, Lessee shall deliver copies of all such licenses, certificates of need, agreements and other authorizations.

8.2 LEGAL REQUIREMENT COVENANTS. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall use its best efforts to have tenants acquire and maintain all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property 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. No Hazardous Materials shall be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, or otherwise present in, on or under the Property. No activity shall be undertaken on the Property which would cause (i) the Property to become a treatment, storage or disposal facility of hazardous waste, infectious waste, biomedical or medical waste, within the meaning of, or otherwise bring the Property within the ambit of RCRA or any Hazardous Material Laws, (ii) a release or threatened release of Hazardous Material from the Property within the meaning of, or otherwise bring the Property within the ambit of, CERCLA or SARA or any Hazardous Material Laws or (iii) the discharge of Hazardous Material into any watercourse, surface or subsurface of body of water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Laws. No activity shall be undertaken with respect to the Property which would cause a violation or support a claim under RCRA, CERCLA, SARA or any Hazardous Material Laws. No investigation, administrative order, litigation or settlement with respect to any Hazardous Material is, to the best of the Lessee's knowledge, threatened or in

existence with respect to the Property. No notice has been served on Lessee from any entity, governmental body or individual claiming any violation of any Hazardous Material Laws, or requiring compliance with any Hazardous Material Laws, or demanding payment or contribution for environmental damage or injury to natural resources. Lessee has not obtained and Lessee has no knowledge of any reason Lessee will be required to obtain any permits, licenses, or similar authorizations to occupy, operate or use the Improvements or any part of the Property by reason of any Hazardous Material Laws. Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of the above.

8.4 HEALTHCARE LAWS. Lessee warrants and represents that this Lease and all subleases are, and at all times during the term of this Lease will be, in compliance with all Healthcare Laws. Lessee agrees to add to all of its third party agreements relating to the Leased Property, including, without limitation, all subleases, 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 renegotiated so that same are in compliance with all Healthcare Laws. Lessee agrees promptly to notify Lessor in writing of receipt of any notice of investigation of any alleged Healthcare Law violations.

Lessee hereby agrees to indemnify and defend, at its sole cost and expense, and hold Lessor, its successors and assigns, harmless from and against and to reimburse Lessor with respect to any and all claims, demands, actions, causes of action, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by Lessor at any time and from time to time by reason or arising out of any breach or violation of any of the above representations and warranties.

8.5 REPRESENTATIONS AND WARRANTIES. Lessee and each Guarantor represents and warrants to the Lessor that as of the date hereof as follows: (i) if applicable, such person or entity is a duly organized and existing limited liability company or limited partnership and is duly authorized to enter into, deliver and perform this Lease and the other documents referred to herein and such agreements constitute the valid and binding obligations of such person or entity, enforceable in accordance with their terms, (ii) neither the entering into this Lease nor the performance by such person or entity of its obligations hereunder will violate any provision of law or any agreement, indenture, note or other instrument binding upon such person or entity, (iii) no authority from or approval by any governmental body, commission or agency or consent of any third party is required in connection with the making or validity of and the execution, delivery and performance of this Lease or the other documents referred to herein, (iv) there are no actions, suits or proceedings pending against or, to the knowledge of such person or entity, threatened against or affecting, such person or entity or any of its affiliates, in any court or before or by any governmental department, agency or instrumentality, an adverse decision in which could materially and adversely affect the financial condition, business or operations of such person or entity or the ability of such person or entity to perform its obligations under this Lease or the other documents referred to herein, and (v) such person or entity and each of its affiliates is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of governmental authorities.

ARTICLE IX

REPAIRS; RESTRICTIONS

9.1 MAINTENANCE AND REPAIR.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Lessee's Personal Property) in good first class order and repair (whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements, the age of the Leased Property or any portion thereof) and, except as otherwise provided in Articles XIV and XV, with reasonable promptness, will make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for the Primary Intended Use. Lessee shall notify the Lessor of any and all repairs or improvements made to the Leased Property in excess of Twenty-Five Thousand and 00/100 Dollars (\$25,000.00).

(b) Lessor shall not under any circumstances be required to build or rebuild any improvements on the Leased Property, or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Lease, or to maintain the Leased Property in any way.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property or any portion thereof.

(d) Unless Lessor shall convey any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term of the Lease), damage caused by the gross negligence or willful acts of Lessor and damage or destruction described in Article XIV or resulting from a Taking described in Article XV which Lessee is not required by the terms of this Lease to repair or restore.

(e) Commencing on July 1, 2005, Lessee shall make quarterly deposits to a Capital Improvement Reserve (the "Capital Improvement Reserve") at a financial institution of the Lessor's choosing, provided, however, that the first such deposit on July 1, 2005 shall be prorated based upon one half of a year. Subject to the immediately preceding sentence, each deposit to be made quarterly thereafter through and including December 31, 2005, shall be equal to the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) per bed per annum (the number of beds to be determined by the actual number

of beds certified to be available for use in the Hospital). The account to which such payments are made shall require the signature of an officer of Lessee and Lessor to make withdrawals. On each January 1 thereafter during the entire Lease Term, such payment into the Capital Improvement Reserve shall be increased by 2.50% per annum. Notwithstanding anything contained herein to the contrary, Lessee shall pay into the Capital Improvement Reserve any amounts needed in excess of such required payments as provided herein. The amount in the Capital Improvement Reserve, including interest, may be used by Lessee with Lessor's approval, which such approval will not be unreasonably withheld, or by Lessor with Lessee's approval, which such approval will not be unreasonably withheld, to pay for the repair and replacement of capital items on the Facility. Lessee hereby grants to Lessor a security interest in all monies deposited into the Capital Improvement Reserve and Lessee shall, within fifteen (15) days from the Commencement Date, execute all documents necessary for Lessor to perfect its security interest in the Capital Improvement Reserve. Lessor and Lessee 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; provided, however, that if Lessor, in its reasonable discretion, determines at any time that the balance then remaining in the Capital Improvement Reserve account is insufficient to pay in full for the present and future anticipated repair and replacement of capital items on the Facility, Lessor shall retain funds in the Capital Improvement Reserve account in an amount sufficient to pay in full for such repair and replacement and Lessee will deposit additional sums into the account from time to time, upon the written request of Lessor, in amounts equal to the difference between the then balance in the Capital Improvement Reserve account and the cost to complete the present and future such repair and replacement so that at all times there is an adequate amount in the Capital Improvement Reserve account to pay for such repair and replacement on a going forward basis.

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 Lessor, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment, (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment, or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Facility 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. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

CAPITAL ADDITIONS

10.1 CONSTRUCTION OF CAPITAL ADDITIONS TO THE LEASED PROPERTY.

(a) If no Event of Default shall have occurred or be continuing under this Lease or the Other Leases, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property without the prior written consent of Lessor, provided, however, except as expressly provided in Section 10.2(d) hereof, Lessee shall not be permitted to create any Encumbrance on the Leased Property, as defined in Article XXXVII, in connection with such

Capital Addition. Prior to commencing construction of any Capital Addition, Lessee shall, at Lessee's sole cost and expense (i) submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition, (ii) provide to Lessor such plans and specifications, certificates of need and other approvals, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request, and (iii) obtain all necessary certificates of need, state licensure surveys and all regulatory approvals of architectural plans. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition, and the use or uses to which it will be put.

(b) Prior to commencing construction of any Capital Addition, Lessee shall first request Lessor to provide funds to pay for such Capital Addition in accordance with the provisions of Section 10.3. If Lessor declines or is unable to provide such financing on terms acceptable to Lessee, the provisions of Section 10.2 shall apply. Notwithstanding any other provision of this Article X to the contrary, no Capital Additions shall be made without the consent of Lessor, which consent shall not be unreasonably withheld or delayed, if the Capital Addition Cost of such proposed Capital Addition, when aggregated with the costs of all Capital Additions made by Lessee, would exceed twenty-five percent (25%) of the then Fair Market Value of the Leased Property or would diminish the value of the Leased Property. Furthermore, no Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld. All proposed Capital Additions shall be architecturally integrated and consistent with the Leased Property.

10.2 CAPITAL ADDITIONS FINANCED BY LESSEE. If Lessee provides or arranges to finance any Capital Addition, this Lease shall be and hereby is amended to provide as follows:

(a) The above referenced proportion of the Fair Market Added Value of Capital Additions paid for by Lessee to the Fair Market Value of the entire Leased Property expressed as a percentage is referred to herein as the "Added Value Additional". The Added Value Additional determined as provided above for each Capital Addition financed or paid for by Lessee shall remain in effect until any subsequent Capital Addition.

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

(c) Upon the expiration or earlier termination of this Lease, except by reason of the default by Lessee hereunder, Lessor shall compensate Lessee for all Capital Additions paid for or financed by Lessee in any of the following ways, determined in the sole discretion of Lessor:

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

(ii) By purchasing such Capital Additions from Lessee by delivering to Lessee Lessor's purchase money promissory note in the amount of said Fair Market Added Value, due and payable not later than eighteen (18) months after the date of expiration or other termination of this Lease, bearing interest at the test rate applicable under Section 1272 of the Code or any successor section thereto ("Test Rate") or, if no such Test Rate exists, at the Prime Rate, which interest shall be payable monthly, and which note shall be secured by a mortgage on the Leased Property, subject to all mortgages and encumbrances on the Leased Property at the time of such purchase; or

(iii) Such other arrangement regarding such compensation as shall be mutually acceptable to Lessor and Lessee.

(d) Lessor and Lessee agree that Lessee's construction lender for Capital Additions shall have the right to secure its loan by a mortgage upon the Leased Property provided such mortgage (i) shall not exceed the cost of the Capital Additions, (ii) shall be subordinate to Lessor's acquisition cost and any Capital Additions paid for by the Lessor of the Leased Property, (iii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created, and (iv) shall be limited solely to Lessee's interest in the Leased Property.

10.3 CAPITAL ADDITIONS FINANCED BY LESSOR.

(a) Lessee shall request that Lessor provide or arrange financing for a Capital Addition by providing to Lessor such information about the Capital Addition as Lessor may reasonably request (a "Request"), including without limitation, all information referred to in Section 10.1 above. Lessor may, but shall be under no obligation to, obtain the funds necessary to meet the Request. Within thirty (30) days of receipt of a Request, Lessor shall notify Lessee as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to this Lease. In no event shall the portion of the projected Capital Addition Cost comprised of land, if any, materials, labor charges and fixtures be less than ninety percent (90%) of the total amount of such cost. Lessee may withdraw its Request by notice to Lessor at any time before or after receipt of Lessor's terms and conditions.

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

(i) all customary or other required loan documentation;

(ii) any information, certificates of need, regulatory approvals of architectural plans, other certificates, licenses, permits or documents requested by either Lessor or any lender with whom Lessor has agreed or may agree to provide financing which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use, including all required federal, state or local government licenses and approvals;

(iii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, duly executed and acknowledged, in form and substance satisfactory to Lessor (the "Lease Amendment"), and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Fair Market Value and the Rent, which shall be increased in an amount at least equal to the principal and interest on the debt incurred by Lessor to finance the Capital Addition;

(v) a deed conveying title to Lessor to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Lessor and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Lessor;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, or a supplemental policy of title insurance covering the Leased Property and any additional land referred to in 10.3(b)(v) above, satisfactory in form and substance to Lessor (A) updating the same without any additional exceptions, except as may be permitted by Lessor; and (B) increasing the coverage thereof by an amount equal to the Fair Market Value of the Capital Addition (except to the extent covered by the owner's policy of title insurance referred to in subparagraph (vii) below);

(vii) if required by Lessor, (A) an owner's policy of title insurance insuring fee simple title to any land conveyed to Lessor pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Lessor and (B) a lender's policy of title insurance satisfactory in form and substance to Lessor and the Lending Institution advancing any portion of the Capital Addition Cost;

(viii) if required by Lessor, prior to commencing the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition will exceed the Fair Market Value of the Leased Property prior thereto by an amount not less than one hundred percent (100%) of the Capital Addition 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 Lessee authorizing the execution and delivery of the Lease Amendment and any other instruments as may be reasonably required by Lessor and any Lending Institution advancing or reimbursing Lessee for any portion of the Capital Addition Cost.

(c) Upon making a Request to finance a Capital Addition, whether or not such financing is actually consummated, Lessee shall pay or agree to pay, upon demand, all reasonable costs and expenses of Lessor and any Lending Institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, and (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals, including but not limited to any required certificates of need, for the construction, operation, use or occupancy of the Capital Addition.

10.4 REMODELING AND NON-CAPITAL ADDITIONS. Subject to Section 9.1(a), Lessee 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 Lessee 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 Lessee to comply with the provisions of this Lease. The cost of Non-Capital Additions, modifications and improvements shall, without payment by Lessor 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 Lessor.

10.5 SALVAGE. All materials which are scrapped or removed in connection with the making of either Capital Additions permitted by Section 10.1 or repairs required by Article IX shall be or become the property of Lessor.

ARTICLE XI

LIENS

Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, set forth in EXHIBIT B, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIV, (f) 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, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII, and (h) any liens which are the responsibility of Lessor pursuant to the provisions of Article XXXVII of this Lease. Unless otherwise expressly provided herein, Lessee shall not mortgage or grant any interest or security interest in, or otherwise assign, any part of Lessee's rights and interests in this Lease, the Leased Property, or any permits, licenses, certificates of need (if any) or any other approvals required to operate the Leased Property during the Term without the prior written consent of Lessor, which may be withheld at Lessor's sole discretion.

ARTICLE XII

PERMITTED CONTESTS

Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any Imposition, Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge or claim not otherwise permitted by Article XI, provided that (a) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and from the Leased Property, (b) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars (\$50,000), then, in any such event, (i) provided the Consolidated Net Worth of Lessee and/or Guarantors is then in excess of Fifty Million Dollars (\$50,000,000), Lessee shall deliver to Lessor an Officer's Certificate to the effect set forth in clauses (a), (b) and (c), to the extent applicable, or (ii) in the event the Consolidated Net Worth of Lessee and/or Guarantors is not then in excess of Fifty Million Dollars (\$50,000,000), then Lessee shall deliver to Lessor and its counsel an opinion of Lessee's counsel to the effect set forth in clauses (a), (b) and (c), to the extent applicable, (e) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected portion of the Leased Property or the Rent by reason of such non-payment or non-compliance; provided, however, the provisions of this Article XII shall not be construed to permit Lessee to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Lessee to Lessor hereunder, (f) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Charges due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or

comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest and, if reasonably requested by Lessee or if Lessor so desires, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

ARTICLE XIII

INSURANCE

13.1 GENERAL INSURANCE REQUIREMENTS. During the Term of this Lease, Lessee shall at all times keep the Leased Property and all property located in or on the Leased Property, including Lessee's Personal Property, insured against loss or damage from such causes as are customarily insured against, by prudent owners of similar facilities. Without limiting the generality of the foregoing, the Lessee shall obtain and maintain in effect throughout the Lease Term, the kinds and amounts of insurance deemed reasonably necessary by the Lessor and as described below. This insurance shall be written by companies (i) reasonably acceptable to the Lessor, (ii) that are rated at least an "A-XII" or better by Best's Insurance Guide and Key Ratings and a claim payment rating by Standard & Poor's Corporation of AA or better, and (iii) authorized, licensed and qualified to do insurance business in the state in which the Leased Property is located. 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 Lessor (and any other entities as Lessor may deem necessary) as an additional insured and losses shall be payable to Lessor and/or Lessee as provided in Article XIV. Each insurance policy required hereunder must (i) provide primary insurance without right of contribution from any other insurance carried by Lessor, (ii) contain, unless the Lessee provides to Lessor written confirmation and verification from the insurer that such insurer will not subrogate against Lessor, an express waiver by the insurer of any right of subrogation, setoff or counterclaim against any insured party thereunder including Lessor (provided, however, that if such insurance does not contain such waiver, provided the same is obtainable at commercially reasonable rate; and provided further, however, that Lessee, to the extent it is able to obtain such waiver, shall not be required to replace its existing insurance coverage until three (3) months following the Commencement Date), (iii) permit Lessor to pay premiums at Lessor's discretion, and (iv) as respects any third party liability claim brought against Lessor, obligate the insurer to defend Lessor as an additional insured thereunder. In the event Lessee is unable to obtain such waiver of subrogation, Lessee shall use its best efforts to secure from the insurance company its agreement that all claims and disputes concerning insurance coverage for the Lessee's Personal Property shall be deemed contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. 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. Lessee shall use its best efforts to secure from the insurance company its agreement that any disputes regarding loss adjustment shall be deemed to be contractual disputes and all litigation and proceedings in connection therewith shall be tried by jury in Jefferson County, Alabama. Evidence of insurance and/or Impositions shall be deposited with Lessor 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, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to such Facility Mortgagee or, pursuant to written direction by Lessor, Lessee shall make such deposits directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased Improvements, the Fixtures and Lessee'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 Lessee in the event of a loss and the deductible must not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00) per occurrence. Further, in the event of a loss, the Lessee shall abide by all provisions of the insurance contract, including proper and timely notice of the loss to the insurer, and the Lessee further agrees that it will notify the Lessor of any loss in the amount of Fifty Thousand and 00/100 Dollars (\$50,000.00) or greater.

(b) Flood and earthquake insurance (rated A-VIII) shall be required only in the event that the Leased Property is located in a flood plain or earthquake zone in amounts as may be customary for comparable properties in the geographic area of the Leased Property.

(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 subparagraph 13.1(a) above, or under a separate policy.

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

(e) Commercial General Liability in a primary amount of at least One Million and 00/100 Dollars (\$1,000,000.00) 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 Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities 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 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.

(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 Five Million and 00/100 Dollars (\$5,000,000.00) 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 or other employee or agent of the Lessee providing services at the Leased Property in an amount not less than One Million and 00/100 Dollars (\$1,000,000.00) per individual claim and Three Million and 00/100 Dollars (\$3,000,000.00) annual aggregate with a Ten Million Dollar (\$10,000,000.00) policy aggregate limit for all Associated Facilities.

(i) A commercial blanket bond covering all employees of the Lessee, 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 Lessor or Lessee 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 Lessee 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. Lessee shall pay one-half (1/2) the fee, if any, of the impartial appraiser.

13.2 ADDITIONAL INSURANCE. In addition to the insurance described above, Lessee shall maintain such additional insurance as may be reasonably 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 Lessee on the Leased Property, 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 Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the 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 Section shall be written in form reasonably satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee 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 the Lessor effective with the Commencement Date and furnished annually thereafter (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to obtain such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certified copies of such policies to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Section 16.1(c). Each insurer mentioned in this Section shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that (i) it will give to Lessor sixty (60) days' prior written notice (at Lessor's address as specified in Article XXXIII hereof {the "Lessor's Notice Address"}) before the policy or policies in question shall be altered, allowed to expire or canceled, (ii) the policy will not lapse, terminate, be canceled or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than sixty (60) days' prior written notice at Lessor's Notice Address, (iii) in the event of cancellation due to non-payment of premium, the insurer will provide not less than ten (10) days' prior written notice to the Lessor at the Lessor's Notice Address. Notwithstanding anything contained herein to the contrary, all policies of insurance required to be obtained by Lessee hereunder shall provide that such policies will not lapse, terminate, be canceled, or be amended or modified to reduce limits or coverage terms unless and until Lessor has received not less than thirty (30) days' prior written notice at the address provided in Section XXXIII hereof.

13.5 INCREASE IN LIMITS. In the event that Lessor shall at any time in its reasonable discretion 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 Section. 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 Section, Lessee'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 Lessee provided that

(a) Any such blanket policy or policies are reasonably acceptable to and have been approved by the Lessor, which approval shall not be unreasonably withheld;

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

(c) Any such blanket policy or policies shall otherwise satisfy the insurance requirements of this Article XIII (including the requirement of thirty (30) days' written notice before the expiration or cancellation of such policies as required by Section 13.4 hereof) and shall provide for deductibles in amounts reasonably acceptable to Lessor.

13.7 NO SEPARATE INSURANCE. Lessee shall not, on Lessee's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by, or which may reasonably be required to be furnished by, Lessee, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility 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. Lessee shall immediately notify Lessor of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance by securing an additional policy or additional policies.

ARTICLE XIV

FIRE AND CASUALTY

14.1 INSURANCE PROCEEDS. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held by Lessor in trust (subject to the provisions of Section 14.7) and shall be made available for 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 Lessor from time to time for the reasonable cost of such reconstruction or repair. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property (or in the event neither Lessor nor Lessee is required or elects to repair and restore, all such insurance proceeds) shall be retained by Lessor free and clear upon completion of any such repair and restoration except as otherwise specifically provided below in this Article XIV. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION COVERED BY INSURANCE.

(a) Except as provided in Section 14.7, if during the Term, the Leased Property is totally or partially destroyed from a risk covered by the insurance described in Article XIII and the Facility thereby is rendered Unsuuitable for its Primary Intended Use, Lessee shall have the option, by giving notice to Lessor within sixty (60) days following the date of such destruction, to (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction, or (ii) offer (A) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction or (B) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property, within thirty (30) days after the date of such offer, Lessee may, by giving notice to Lessor within thirty (30) days after receipt of Lessor's notice, either withdraw its offer to purchase or substitute for the Leased Property and proceed to restore the Facility to substantially the same condition as existed immediately before the damage or destruction or, unless Lessor is excused or otherwise not required to accept such Substitute Property pursuant to the provisions of Article XXI below, terminate this Lease and, in the latter event, Lessor shall be entitled to retain the insurance proceeds, and Lessee shall pay to Lessor on demand, the amount of any deductible or uninsured loss arising in connection therewith.

(b) Except as provided in Section 14.7, if during the Term, the Leased Improvements and/or the Fixtures are totally or partially destroyed from a risk covered by the insurance described in Article XIII, but the Facility is not thereby rendered Unsuuitable for its Primary Intended Use, Lessee 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 Lessee 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, Lessee may either (i) offer pursuant to Article XXII to substitute a new property, substantially equivalent to the Leased Property immediately before such damage or destruction, or (ii) offer to purchase the Leased Property for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amount needed to restore the Facility prior to use of the insurance proceeds. Such amount shall be paid by Lessee to Lessor (or a Facility 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 Lessor accepts Lessee's offer to purchase the Leased Property or to provide a Substitute Property, this Lease shall terminate upon payment of the purchase price or execution and delivery of all documents required in connection with a Substitute Property under Article XXI and Lessor shall remit to Lessee all insurance proceeds being held in trust by Lessor 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 Lessee 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 Unsuuitable for its Primary Intended Use, Lessee at its option shall either (a) restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this

Lease, or (b) if all of the criteria for such substitution are satisfied, offer to substitute a new property substantially equivalent to the Leased Property immediately before such damage or destruction pursuant to the provisions of Article XXII. Otherwise, if the Facility is totally or materially destroyed by a risk not covered by such insurance, this Lease shall terminate unless either party gives the other written notice within ninety (90) days of the destruction that the notifying party elects to restore the Facility at the notifying party's expense, in which event this Lease shall remain in full force and effect. If such damage or destruction is not material, Lessee shall restore the Leased Property at Lessee's expense.

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

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

14.6 NO ABATEMENT OF RENT. This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated 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 twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Lessor shall be entitled to retain the insurance proceeds and Lessee shall pay to Lessor on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Lessor shall be void and of no force and effect if Lessee 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 OF PURCHASE. Any termination of this Lease pursuant to this Article XIV or otherwise shall cause any right to purchase granted to Lessee under this Lease to be terminated and to be without further force or effect.

14.9 WAIVER. Lessee hereby waives any statutory or common law rights of termination which may arise by reason of any damage or destruction of the Facility.

ARTICLE XV

CONDEMNATION

15.1 DEFINITIONS.

(a) "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 PARTIES' RIGHTS AND OBLIGATIONS. If during the Term there is any Taking of all or any part of the Leased Property or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined by this Article XV.

15.3 TOTAL TAKING. If there is a Taking of all of the Leased Property by Condemnation, this Lease shall terminate on the Date of Taking.

15.4 PARTIAL TAKING. If there is a Taking of a portion of the Leased Property by Condemnation, this Lease shall remain in effect if the Facility is not thereby rendered Unsuited for its Primary Intended Use. If, however, the Facility is thereby rendered Unsuited for its Primary Intended Use, Lessee shall have the option (a) to restore the Facility, at its own expense, to the extent possible, to substantially the same condition as existed immediately before the partial Taking, or (b) to offer (i) to acquire the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property immediately prior to such partial Taking, in which event this Lease shall terminate upon payment of the purchase price, or (ii) to substitute a new property pursuant to and in accordance with the provisions of Article XXI. Lessee shall exercise its option by giving Lessor notice thereof within sixty (60) days after Lessee receives notice of the Taking. In the event Lessor does not accept Lessee's offer to so purchase or substitute for the Leased Property within thirty (30) days after receipt of the notice described in the preceding sentence, Lessee may either (a) withdraw its offer to purchase or substitute for the Leased Property 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 Lessor.

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

15.6 AWARD DISTRIBUTION. In the event Lessor accepts Lessee's offer to purchase the Leased Property, or to substitute a new property for the Leased Property, as described in clause (b) of Section 15.4, the entire Award shall belong to Lessee provided no event of default is continuing and Lessor agrees to assign to Lessee all of its rights thereto. In any other event, the entire Award shall belong to and be paid to Lessor, except that, if this Lease is terminated, and subject to the rights of the Facility Mortgagee, Lessee shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, the following:

(a) A sum attributable to the Capital Additions for which Lessee would be entitled to reimbursement at the end of the Term pursuant to the provisions of Section 10.2(c) and the value, if any, of the leasehold interest of Lessee under this Lease; and

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

If Lessee is required or elects to restore the Facility, Lessor agrees that, subject to the rights of the Facility 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 and Percentage 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) a default or event of default shall occur under any of the Other Leases, or

(b) if Lessee shall fail to make a payment of the Rent or any other monetary payment due and payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee or Guarantors within a period of twenty (20) days (unless another period of time is expressly provided for elsewhere in this Lease) after receipt by Lessee of notice thereof from Lessor, or

(c) if Lessee or any of the Guarantors shall fail to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee or Guarantors within a period of thirty (30) days after receipt by Lessee of notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee or Guarantors proceed promptly and with due diligence to cure the failure and diligently completes the curing thereof within sixty (60) days after receipt by Lessee of Lessor's notice of default, or

(d) if Lessee or any Guarantor shall:

(i) admit in writing its inability to pay its debts generally as they become due,

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(iii) make an assignment for the benefit of its creditors,

(iv) consent to the appointment of a receiver of itself or of the whole 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) if Guarantor's total debt is more than the greater of (i) one hundred percent (100%) of the total capitalization of the Guarantor, or (ii) 4.5 times the twelve (12) months' total EBITDAR of the Guarantor, whichever is greater, or

(vii) if the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(viii) if Lessee's license as defined in Article XXXIX or participation or certification in Medicare, Medicaid or other governmental payor programs is terminated, or

(ix) if Lessee admits in writing that it cannot meet its obligations as they become due; or is declared insolvent according to any law; or assignment of Lessee's property is made for the benefit of creditors; or a receiver or trustee is appointed for Lessee or its property; or the interest of Lessee under this Lease is levied on under execution or other legal process; or any petition is filed by or against Lessee to declare Lessee bankrupt or to delay, reduce or modify Lessee's capital structure if Lessee be a corporation or other entity (provided that no such levy, execution, legal process or petition filed against Lessee shall constitute a breach of this Lease if Lessee shall vigorously contest the same by appropriate proceedings and shall remove or vacate the same within thirty (30) days from the date of its creation, service or filing); or

(x) the abandonment or vacation of the Leased Property by Lessee; Lessee's absence from the Leased Property for ninety (90) consecutive days shall constitute abandonment.

(e) if the Lessee or any Guarantor shall, after a petition in bankruptcy is filed against it, be adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Lessee or such Guarantor, as the case may be, a receiver of Lessee or such Guarantor or of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Lessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof, or

(f) if Lessee or any Guarantor shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the sale or divestiture of substantially all of its assets other than in connection with a merger or consolidation of Lessee or such Guarantor into, or a sale of substantially all of Lessee's or such Guarantor's assets to, another corporation, provided that if the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and provided, further, that if, immediately after giving effect to any such merger, consolidation or sale, Lessee or such other corporation (if not the Lessee) surviving the same, together with Guarantors, shall have a Consolidated Net Worth not less than the Consolidated Net Worth of Lessee or Guarantors immediately prior to such merger, consolidation or sale, all as to be set forth in an Officer's Certificate delivered to Lessor within thirty (30) days of such merger, consolidation or sale, an Event of Default shall not be deemed to have occurred, or

(g) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Lessee of notice thereof from Lessor (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(h) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of ninety (90) days, or

(i) if any of the representations or warranties made by Lessee or Vibra 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 twenty (20) days after receipt by Lessee of notice from Lessor thereof, or

(j) a default shall occur under the Guaranty executed by Guarantors concurrently herewith, or

(k) a default or event of default shall occur under the Lease Assignment, Security Agreement or any other agreement between Lessor or any Affiliate of Lessor and Lessee or any Guarantor or any Affiliate of Lessee or any Guarantor, or

(l) if Lessee defaults under the Tenant Leases or fails or refuses to enforce the terms and conditions of the Tenant Leases, or

(m) if a default shall occur under any of the Loans, or

(n) if a default shall occur under the Loan Guaranty.

If an Event of Default shall have occurred, Lessor shall have the right at its election, then or at any time thereafter, to pursue any one or more of the following remedies, in addition to any remedies which may be permitted by law or by other provisions of this Lease, without notice or demand, except as hereinafter provided:

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

B. Lessor may terminate this Lease by written notice to Lessee, in which event Lessee shall immediately surrender the Leased Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent (including any interest which may have accrued pursuant to Section 3.4 of this Lease), enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises or any part thereof, by force, if necessary, without being liable of prosecution or any claim for damages therefor. Lessee hereby waives any statutory requirement of prior written notice for filing eviction or damage suits for nonpayment of rent. In addition, Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of any termination effected pursuant to this subsection B, said loss and damage to be determined, at Lessor's option, by either of the following alternative measures of damages:

(i) Until Lessor is able, although Lessor shall be under no obligation to attempt, to relet the Leased Property, Lessee shall pay to Lessor on or before the first day of each calendar month, the monthly rentals and other charges provided in this Lease. After the Leased Property has been relet by Lessor, Lessee shall pay to Lessor on the 10th day of each calendar month the difference between the monthly rentals and other charges provided in this Lease for the preceding calendar month and that actually collected by Lessor for such month. If it is necessary for Lessor to bring suit in order to collect any deficiency, Lessor shall have a right to allow such deficiencies to accumulate and to bring an action on several or all of the accrued deficiencies at one time. Any such suit shall not prejudice in any way the right of Lessor to bring a similar action for any

subsequent deficiency or deficiencies. Any amount collected by Lessor from subsequent tenants for any calendar month, in excess of the monthly rentals and other charges provided in this Lease, shall be credited to Lessee in reduction of Lessee's liability for any calendar month for which the amount collected by Lessor will be less than the monthly rentals and other charges provided in this Lease; but Lessee shall have no right to such excess other than the above-described credit.

(ii) When Lessor desires, Lessor may demand a final settlement. Upon demand for a final settlement, Lessor shall have a right to, and Lessee hereby agrees to pay, the difference between the total of all monthly rentals and other charges provided in this Lease for the remainder of the Lease Term and the reasonable rental value of the Leased Property for such period, such difference to be discounted to present value at a rate equal to the lowest rate of capitalization (highest present worth) reasonably applicable at the time of such determination and allowed by applicable law. If Lessor elects to exercise the remedy prescribed in subsection A above, this election shall in no way prejudice Lessor's right at any time thereafter to cancel said election in favor of the remedy prescribed in subsection B above. Similarly, if Lessor elects to compute damages in the manner prescribed by subsection B(i) above, this election shall in no way prejudice Lessor's right at any time thereafter to demand a final settlement in accordance with this subsection B(ii) above. Pursuit of any of the above remedies shall not preclude pursuit of any other remedies prescribed in other sections of this Lease and any other remedies provided by law or equity. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default.

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

D. In addition to the above remedies, in the event of any default hereunder by Lessee, Lessor, at its option, may have one or more of the following remedies in addition to all other legal rights and remedies:

(i) Lessor may serve upon Lessee notice that its Lease and the then unexpired term hereof shall terminate and become absolutely void on a date specified in such notice, which shall be the date of such notice or such later date as may be required by law, and the Lease, and well as the right, title, and interest of Lessee hereunder shall, except as to the rights and remedies of Lessor upon termination as provided herein, terminate and become void in the same manner and with the same force and effect as if the date filed in such notice were the date originally specified for the expiration of the Lease term; and Lessee shall then immediately quit and surrender to Lessor the Leased Property, including any and all buildings and improvements thereon, and Lessor may then or at any time thereafter, without judicial proceedings of any kind, enter into and repossess the Leased Property, by picking or changing locks or otherwise to effect such entrance, and may remove all occupants and any property thereon without being liable for any action or prosecution of any kind for such entry or the manner thereof, or loss of or damage to any property upon the Leased Property. In the event of any such termination of this Lease, and in addition to any other rights and remedies Lessor may have, Lessor shall have all of the rights and remedies of a Lessor provided by Sections 1951.4 (Lessor may continue the Lease in effect after Lessee's

breach and abandonment and recover rent as it becomes due, even if Lessee has the right to sublease or assign) and 1951.2 of the California Civil Code. The amount of damages which Lessor may recover in the event of such termination shall include, without limitation, (A) the worth at the time of award (computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent) of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss for such period that Lessee proves could be reasonably avoided, (B) all unpaid Rent earned at the time of Lease termination, and all reasonable legal expenses and other related costs incurred by Lessor following an event of default, costs incurred by Lessor in recovering the Leased Property and restoring the Leased Property to good order and condition, or in remodeling, renovating or otherwise preparing the Leased Property for reletting, (D) all costs (including, without limitation, any brokerage commissions and reasonable attorneys' fees) incurred by Lessor in reletting the Leased Property, and (E) any other sum of money and damages owed by Lessee to Lessor.

(ii) In addition, Lessor shall have all the rights and remedies described in Section 1951.4 of the California Civil Code (Lessor may continue the Lease in effect after Lessee's breach and abandonment and recover rent as it becomes due, if Lessee has the right to sublease or assign subject only to reasonable limitations).

(iii) Lessor may immediately terminate Lessee's right of possession of the Leased Property, but not terminate the Lease, and without notice or demand enter upon the Leased Property or any part thereof and take absolute possession of the same, pick or change the locks, and, at Lessor's sole option may relet the Leased Property or any part thereof for such terms and such rents as Lessor may reasonable elect. In the event Lessor shall elect to so relet, then rent received by Lessor from such reletting shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Lessee to Lessor, second, to the payment of any cost of such reletting, including, without limitation, refurbishing costs and leasing commissions, and third, to the payment of Rent due and unpaid hereunder, and Lessee shall satisfy and pay any deficiency upon demand therefor from time to time. Any entry into and possession of the Leased Property by Lessor shall be without liability or responsibility to Lessee and shall not be in lieu of or in substitution of any other legal rights of Lessor hereunder. Lessee further agrees that Lessor may file suit to recover any sums due under the terms of this Lease and that no recovery of any portion due Lessor hereunder shall be any defense to any subsequent action brought for any amount not therefore reduced to judgment in favor of Lessor. Reletting of the Leased Property shall not be construed as an election on the part of Lessor to terminate this Lease and, notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for default.

16.2 EVENTS OF DEFAULT IN FINANCIAL COVENANTS. The occurrence of any one or more of the following shall constitute a material default and breach of this Section 16.2 and the Lessor shall have the rights and remedies provided for herein:

(a) If the total required payments with respect to the total indebtedness of the Lessee when added to the Coverage Rent generates a coverage ratio to the Leased Property's EBITDAR of less than one hundred twenty-five percent (125%) for two consecutive fiscal quarters determined on an annualized basis, or

(b) The Lessee generates a Coverage Rent lease coverage from EBITDAR of less than one hundred fifty percent (150%) for two consecutive fiscal quarters determined on an annualized basis, or

(c) If the Leased Property experiences six (6) consecutive quarters of falling average daily census, or

(d) If the parent company of the Lessee makes a payment default on any of its corporate debt or other leases and such default is not cured within the cure periods provided for therein.

then the Lessor shall have the right to foreclose on the interest of the Lessee and proceed with any remedy the Lessor deems needed, including, but not limited to, selling the Lessee's interest to a third party.

Upon the occurrence of any of the items in Section 16.1 or this Section 16.2, Lessor may, at its option, require Lessee to cancel the Management Agreement and to replace the Management Company with a company of Lessor's choosing.

16.3 ADDITIONAL EXPENSES. It is further agreed that, in addition to payments required pursuant to subsections A and B of Section 16.1 above, Lessee shall compensate Lessor for (i) all administrative expenses, (ii) all expenses incurred by Lessor in repossessing the Leased Property (including among other expenses, any increase in insurance premiums caused by the vacancy of the Leased Property), (iii) all expenses incurred by Lessor in reletting (including among other expenses, repairs, remodeling, replacements, advertisements and brokerage fees), (iv) all concessions granted to a new tenant or tenants upon reletting (including among other concessions, renewal options), (v) Lessor's reasonable attorneys' fees and expenses, (vi) all losses incurred by Lessor as a direct or indirect result of Lessee's default (including among other losses any adverse action by mortgagees), and (vii) a reasonable allowance for Lessor's administrative efforts, salaries and overhead attributable directly or indirectly to Lessee's default and Lessor's pursuing the rights and remedies provided herein and under applicable law.

16.4 INTENTIONALLY OMITTED.

16.5 WAIVER. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of redemption, re-entry or repossession, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 APPLICATION OF FUNDS. Any payments otherwise payable to Lessee which are received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order which Lessor may reasonably determine or as may be prescribed by the laws of the state in which the Facility is located.

16.7 NOTICES BY LESSOR. The provisions of this Article XVI concerning notices shall be liberally construed insofar as the contents of such notices are concerned, and any such notice shall be sufficient if reasonably designed to apprise Lessee of the nature and approximate extent of any default, it being agreed that Lessee is in good or better position than Lessor to ascertain the exact extent of any default by Lessee hereunder.

16.8 LESSOR'S CONTRACTUAL SECURITY INTEREST. Lessee hereby gives to Lessor an express first and prior contract lien and security 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 Lessee by reason of destruction of or damage to any such property and also upon all of Lessee's interest as lessee and rights and options to purchase fixtures, equipment and chattels placed on the Leased Property (in case of fixtures, equipment and chattels leased to Lessee which are placed on the Leased Property). All exemption laws are hereby waived in favor of such lien and security interest and in favor of Lessor's statutory landlord lien. This lien and security interest are given in addition to any statutory landlord lien and shall be cumulative thereto. Lessor shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Lessee, and to secure payment of any damages or loss which Lessor may suffer by reason of the breach by Lessee of any covenant, agreement or condition contained herein, upon all inventory, merchandise, goods,

wares, equipment, fixtures, furniture, improvements and other tangible personal property of Lessee presently, or which may hereafter be, situated in or about the Leased Property, and all proceeds therefrom and accessions thereto and, except as a result of sales made in the ordinary course of Lessee's business, such property shall not be removed without the consent of Lessor until all arrearages in rent as well as any and all other sums of money then due to Lessor or to become due to Lessor hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Lessee. Upon the occurrence of an Event of Default by Lessee, Lessor may, in addition to any other remedies provided herein, enter upon the Leased Property and take possession of any and all inventory, merchandise, goods, wares, equipment, fixtures, furniture, improvements and other personal property of Lessee situated in or about the Leased Property, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Lessee reasonable notice of the time and place of any public sale of the time after which any private sale is to be made, at which sale the Lessor or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Lessee reasonable notice, the requirement of reasonable notice shall be met, if such notice is given in the manner prescribed in this Lease at least ten (10) days before the time of sale. Any sale made pursuant to the provision of this paragraph 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 Lessee or as otherwise required by law; the Lessee shall pay any deficiencies forthwith. Upon request by Lessor, Lessee agrees to execute and deliver to Lessor a financing statement in form sufficient to perfect the security interest of Lessor in the aforementioned property and proceeds thereof under the provision of the Uniform Commercial Code (or corresponding state statute or statutes) in force in the state in which the Leased Property is located, as well as any other state the laws of which Lessor may at any time consider to be applicable.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

If Lessee shall fail to make any payment, or to perform any act required to be made or performed under this Lease and to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's reasonable opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case, to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PURCHASE OF THE LEASED PROPERTY

In the event Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, including, without limitation Article XXXV, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the

date of the purchase, deliver to Lessee an appropriate special warranty deed or other instrument of conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee in the condition as received from Lessee, free and clear of all encumbrances other than (a) those that Lessee has agreed hereunder to pay or discharge, (b) those mortgage liens, if any, which Lessee has agreed in writing to accept and to take title subject to, (c) any other Encumbrances permitted to be imposed on the Leased Property under the provisions of Article XXXVII which are assumable at no cost to Lessee or to which Lessee may take subject without cost to Lessee, and (d) any matters affecting the Leased Property on or as of the Commencement Date. The difference between the applicable purchase price and the total of the encumbrances assigned or taken subject to shall be paid in cash to Lessor, or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale shall fail to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the period from the date when Lessee elected or became obligated to purchase the Leased Property until Lessee's inability to obtain the approvals and consents is confirmed shall be deemed to remain in effect for thirty (30) days after the end of such period. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, survey, attorneys' fees incurred by Lessor in connection with such conveyance, transfer taxes, recording fees and similar charges shall be paid for by Lessee.

ARTICLE XIX

HOLDING OVER

If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or any earlier termination of the Term hereof, such possession shall be as a tenancy at will during which time Lessee shall pay as rental each month, one and one-half times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last complete Lease Year prior to the expiration of the Term; (b) all Additional Charges accruing during the month and (c) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at will, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INTENTIONALLY OMITTED

ARTICLE XXI

SUBSTITUTION OF PROPERTY

21.1 SUBSTITUTION OF PROPERTY FOR THE LEASED PROPERTY.

(a) If, in the good faith judgment of Lessee reasonably exercised, the Leased Property becomes uneconomic or Unsuitable for its Primary Intended Use, or by reason of eviction or other material interference caused by any claim of paramount title, or for other prudent business reasons, Lessee desires to terminate this Lease, Lessee, if no Event of Default shall have occurred and be continuing, at any time prior to the expiration of the Term, shall have the right, subject to the conditions set forth below in this Article XXI, upon written notice to Lessor, to substitute one or more properties (collectively referred to as

"Substitute Properties" or individually as a "Substitute Property") on a monthly Base Rent Payment Date specified in such notice (the "Substitution Date") occurring not less than ninety (90) days after receipt by Lessor of such notice, except if Lessee is required by court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case if Lessee shall have informed Lessor in writing of the filing of such court order or administrative action and kept Lessor reasonably apprised of the status thereof, the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event less than fifteen (15) Business Days after the receipt by Lessor of such notice. The notice shall be in the form of an Officer's Certificate and shall specify the reason(s) for the substitution and the proposed Substitution Date. For purposes of this paragraph, the desire of Lessee to reduce the payment of Rent with respect to the Leased Property whose operation (considering the Rent) is uneconomic to Lessee shall not be deemed to be a reason for substitution.

(b) If Lessee voluntarily or involuntarily, for any reason, has discontinued use of the Leased Property in its business operations for a period in excess of one year, and Lessor has not exercised its right to terminate this Lease pursuant to Section 16.1 hereof, Lessee shall have the obligation, upon notice given as set forth in paragraph (a) above, to substitute a Substitute Property or, if applicable, invoke the procedure set forth in Article XXI.

(c) If Lessee gives the notice referred to in Section 21.1(a) or (b) above, Lessee shall present to Lessor three properties (or groups of properties) each of which property (or groups of properties) shall provide Lessor with a yield (i.e., an annual return on its equity in such property) substantially equivalent to Lessor's yield from the Leased Property at the time of such proposed substitution (or in the case of substitution because of damage or destruction, the yield immediately prior to such damage or destruction) and as reasonably projected over the remaining Term of this Lease. Lessor shall have a period of ninety (90) days within which to review such information and either accept one or reject all the Substitute Properties so presented unless Lessee is required by a court order or administrative action to divest or otherwise dispose of the Leased Property within a shorter time period, in which case the time period shall be shortened appropriately to meet the reasonable needs of Lessee, but in no event shall said period be less than fifteen (15) Business Days after Lessor's receipt of said notice (subject to further extension for any period of time in which Lessor is not timely provided with the information provided for in Section 21.2 and Section 21.3 below) provided, however, that if Lessor shall contend that the Substitute Properties fail to meet all the conditions for substitution set forth in this Article XXI, including without limitation the provisions of Sections 21.1(d), (e) and (f) below, the matter shall be submitted to arbitration at Lessor's discretion and the time periods for Lessor's approval or rejection shall be tolled during the period of such arbitration.

(d) In the event that, on or before the expiration of the applicable time period for Lessor's review, Lessor has rejected all of the Substitute Properties so presented, then Lessee shall, for a period of sixty (60) days after the expiration of such period, have the right to terminate this Lease as to the Leased Property upon notice to Lessor accompanied by an offer to purchase the Leased Property on the first Base Rent Payment Date occurring at least ninety (90) days after the date of such notice, as specified in such notice, for a purchase price equal to the Fair Market Value Purchase Price, and this Lease shall terminate on the purchase date provided no Event of Default shall have occurred and be continuing.

(e) If Lessor accepts such offer, or fails to reject the same by written notification within the applicable time period for Lessor's review, Lessor shall, upon receipt from Lessee of the purchase price provided for above and any Rent due and payable hereunder (excluding the installment of Base Rent due on the purchase date), convey the Leased Property to Lessee on the purchase date, in accordance with the provisions of Article XVIII and this Lease shall thereupon terminate as to the Leased Property. Upon completion of the purchase of the Leased Property, no Rent shall thereafter accrue with respect thereto.

(f) Lessee's right (and obligation) to offer substitution as set forth in this Article is subject to the conditions set forth in Section 21.2 below, and to the delivery of an opinion of counsel for Lessor confirming that (i) the substitution of the Substitute Property for the Leased Property will qualify as an exchange solely of property of a like-kind under Section 1031 of the Code, in which, generally, except for "boot" such as cash needed to equalize exchange values or discharge indebtedness, no gain or loss is recognized to Lessor, (ii) the substitution or sale will not result in ordinary recapture income to Lessor pursuant to Code Section 1245 or 1250 or any other Code provision, (iii) the substitution or sale will result in income, if any, to Lessor of a type described in Code Section 856(c)(2) or (3) and will not result in income of the types described in Code Section 856(c)(4) or result in the tax imposed under Code Section 857(b)(6), and (iv) the substitution or sale, together with all other substitutions and sales made or requested by Lessee or any Affiliate pursuant to any other leases with Lessor of the properties, any other transfers of the Leased Property or the properties leased under other such operating leases, during the relevant time period, will not jeopardize the qualification of Lessor as a real estate investment trust under Code Sections 856-860.

(g) In the event that the equity value of the Substitute Property or group of Substitute Properties (i.e., the Fair Market Value of the Substitute Property or group of Substitute Properties minus the encumbrances to which Lessor will take the Substitute Property or group of Substitute Properties subject) as of the Substitution Date is greater than the equity value of the Leased Property (i.e., the Fair Market Value of the Leased Property minus the encumbrances to which Lessee will take the Leased Property subject) as of the Substitution Date (or in the case of damage or destruction, the Fair Market Value immediately prior to such damage or destruction), Lessor shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessee; in the event that said equity value of the Substitute Property or group of Substitute Properties is less than said equity value of the Leased Property, Lessee shall pay an amount equal to the difference, subject to the limitation set forth below, to Lessor; provided, however, that neither Lessor nor Lessee shall be obligated to consummate such substitution if such party would be required to make a payment to the other in excess of an amount equal to ten percent (10%) of said Fair Market Value of the Leased Property (the amount of cash paid by one party to the other being hereinafter referred to as the "Cash Adjustment"). Without limiting the generality or effect of the preceding sentence, in the event that, on the Substitution Date, Lessor is obligated to pay a Cash Adjustment to Lessee and Lessor does not have sufficient funds available, or elects not to make such payment in cash, Lessor shall provide Lessee with (and Lessee shall accrue) a purchase money note and mortgage for a term not to exceed eighteen (18) months from the Substitution Date and bearing interest, payable monthly, at the rate per annum described in Section 10.2 as the Test Rate, or if no such Test Rate exists, then at the Prime Rate.

(h) The Rent for such Substitute Property in all respects shall provide Lessor with a substantially equivalent yield at the time of such substitution (i.e., annual return on its equity in such Substitute Property) to that received (and reasonably expected to be received thereafter) from the Leased Property, taking into account the Cash Adjustment paid or received by Lessor and any other relevant factors.

(i) The Fair Market Value of the Substitute Property shall be an amount equal to the Fair Market Value of the Leased Property (i) increased by any Cash Adjustment paid by Lessor pursuant to paragraph (g) above, or (ii) decreased by any Cash Adjustment paid by Lessee pursuant to paragraph (g) above.

21.2 CONDITIONS TO SUBSTITUTION. On the Substitution Date, the Substitute Property will become the Leased Property hereunder upon delivery by Lessee to Lessor of the following:

(a) an Officer's Certificate certifying that (i) the Substitute Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the improvements located on the Substitute Property nor is any condemnation or eminent domain proceeding pending with respect thereto; (ii) all permits, licenses and certificates (including, but not limited to, a permanent, unconditional certificate of occupancy and all certificates of need, licenses and provider agreements) which are necessary to permit

the use of the Substitute Property in accordance with the provisions of this Lease have been obtained and are in full force and effect; (iii) under applicable zoning and use laws, ordinances, rules and regulations the Substitute Property may be used for the purposes contemplated by Lessee and all necessary subdivision approvals have been obtained; (iv) there are no mechanics' or materialmen's liens outstanding or threatened to the knowledge of Lessee against the Substitute Property arising out of or in connection with the construction of the improvements thereon, other than those being contested by Lessee pursuant to Article XII; (v) any mechanics' or materialmen's liens being contested by Lessee will be promptly paid by Lessee if such contest is resolved in favor of the mechanic or materialman; (vi) to the best knowledge of Lessee, there exists no Event of Default under this Lease, and no defense, offset or claim exists with respect to any sums to be paid by Lessee hereunder, and (vii) any exceptions to Lessor's title to the Substitute Property do not materially interfere with the intended use of the Substitute Property by Lessee;

(b) a deed with full warranties conveying to Lessor title to the Substitute Property free and clear of any liens and encumbrances except those approved or assumed by Lessor;

(c) a lease duly executed, acknowledged and delivered by Lessee, containing the same terms and conditions as are contained herein except that (i) the legal description of the land shall refer to the Substitute Property, (ii) the Fair Market Value, Rent and any Additional Charges for the Substitute Property shall be consistent with the requirements of Section 21.1 and (iii) such other changes therein as may be necessary or appropriate under the circumstances shall be made;

(d) counterparts of a standard owner's or lessee's (as applicable) policy of title insurance covering the Substitute Property (or a valid, binding, unconditional commitment therefor), dated the Substitution Date, in current form and including mechanics' and materialmen's lien coverage, issued to Lessor by a title insurance company satisfactory to Lessor. Such policy shall (i) insure (A) Lessor's fee title to the Substitute Property, subject to no liens or encumbrances except those approved or assumed by Lessor, and (B) that any restrictions affecting the Substitute Property have not been violated and that a fixture violation thereof will not result in a forfeiture or reversion of title, (ii) be in an amount at least equal to the Fair Market Value of the Substitute Property, and (iii) contain such endorsements as may be reasonably requested by Lessor;

(e) certificates of insurance with respect to the Substitute Property fulfilling the requirements of Article XIII;

(f) current appraisals or other evidence satisfactory to Lessor, in its sole discretion, as to the current Fair Market Values of such Substitute Property and the Leased Property;

(g) all available revenue data relating to the Substitute Property for the period from the date of opening for business of the facility on such Substitute Property to the date of Lessee's most recent fiscal year end, or for the most recent three (3) years, whichever is less; and

such other certificates, documents, opinions of counsel, and other instruments as may be reasonably required by Lessor.

21.3 CONVEYANCE TO LESSEE. On the Substitution Date or the date specified in the notice given pursuant to Section 21.1. Lessor will convey the Leased Property to Lessee in accordance with the provisions of Article XVIII (except as to payment of any expenses in connection therewith which shall be governed by Section 21.4 below) upon either (a) payment in cash therefor or (b) conveyance to Lessor of the Substitute Property, as appropriate.

21.4 EXPENSES. Lessee shall pay or cause to be paid, on demand, all reasonable costs and expenses of Lessor paid or incurred by it in connection with the substitution and conveyance of the Leased Property and the

Substitute Property, including but not limited to (a) fees and expenses of its counsel and consultants, (b) all printing expenses, (c) the amount of any filing, registration and recording taxes and fees, (d) reasonable fees and expenses, if any, incurred in qualifying and maintaining Lessor as a foreign corporation authorized to do business in the state of which the Substitute Property is located, (e) the cost of preparing and recording, if appropriate, a release of the Leased Property from the lien of any mortgage, (f) broker's fees and commissions, if any, (g) documentary stamp and transfer taxes, if any, (h) title insurance charges, and (i) escrow fees. Lessee shall also pay for and obtain all necessary regulatory approvals including licensing, surveys and certificates of need for the Substitute Property.

ARTICLE XXII

RISK OF LOSS

During the Term of this Lease, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee and, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXIII

INDEMNIFICATION

Notwithstanding the existence of any insurance or self insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self insurance, Lessee will protect, indemnify, save harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor by reason of: (a) any accident, injury to or death of persons or loss of percentage to property occurring on or about the Leased Property or adjoining sidewalks, including without limitation any claims of malpractice, (b) any use, misuse, no use, condition, maintenance or repair by Lessee of the Leased Property, (c) any Impositions (which are the obligations of Lessee to pay pursuant to the applicable provisions of this Lease), (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord (Lessee) thereunder. Any amounts which become payable by Lessee under this Section shall be paid within fifteen (15) days after liability therefor on the part of Lessor is determined by litigation or otherwise and, if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct. Lessee's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXIV

SUBLETTING AND ASSIGNMENT; SUBORDINATION

24.1 SUBLETTING AND ASSIGNMENT. Lessee shall not assign the Lease or sublease the Leased Property or engage any Management Company, or allow any tenants of the Facility to engage any Management Company, without Lessor's prior written consent, which consent shall not be unreasonably withheld; provided, however, that Lessee shall have the right to assign the Lease or sublease the Leased Property to an Affiliate without Lessor's prior written consent. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessor 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 XXIV, (b) in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be and become jointly and severally liable with Lessee for the performance thereof, (c) an original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance reasonably satisfactory to Lessor, shall be delivered promptly to Lessor, and (d) in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. Lessor and Lessee acknowledge that there currently exists certain leases or subleases on the Leased Property as described in Article XXXII hereof and such leases and subleases are deemed approved by Lessor under this paragraph. Lessor acknowledges that Lessee has formed an entity (Kentfield Rehabilitation Hospital Pharmacy Limited Partnership) to operate a pharmacy in the Leased Property. Lessee shall within sixty (60) days from the Commencement Date enter into a written lease with such pharmacy entity and provide Lessor a fully executed copy of same.

24.2 ATTORNMEN. Lessee shall insert in each sublease permitted under Section 24.1 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 Lessor hereunder, (b) in the event this Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor 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 Lessee or Lessor furnish within ten (10) days an estoppel certificate relating to the sublease, and (d) in the event the sublessee receives a written notice from Lessor or Lessor's assignees, if any, stating that Lessee 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 Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

24.3 SUBLEASE LIMITATION. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee 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 Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Provided also, Lessee shall not sublet any portion of the Leased Property for a term extending beyond the Fixed Term hereof without the express consent of Lessor. In addition, all subleases shall comply with the Healthcare Laws.

24.4 SUBORDINATION. Any sublease approved by Lessor shall be subordinate to this Lease and may be terminated or left in place by Lessor in the event of a termination of this Lease. Lessee 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. Lessee 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, which subordination agreement shall be in such form and content as is reasonably acceptable to Lessor.

ARTICLE XXV

OFFICER'S CERTIFICATES AND FINANCIAL STATEMENTS

(a) At any time and from time to time within twenty (20) days following written request by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Rent has been paid. Any such Officer's Certificate furnished

pursuant to this Article may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee will furnish and cause Guarantors to furnish the following statements to Lessor, which must be in such form and detail as Lessor may from time to time, but not unreasonably, request:

(i) within ninety (90) days after the end of each of Lessee's fiscal years, a copy of the Statements of Cash Flow for the preceding fiscal year and an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease and no condition currently exists that would, but for the giving of any required notice or expiration of any applicable cure period, constitute an Event of Default, or, if Lessee shall be in default to its knowledge, specifying all such defaults, the nature thereof and the steps being taken to remedy the same, and

(ii) within ninety (90) days after the end of each year, audited financial statements of Lessee, the Guarantors (excluding Brad E. Hollinger) and the operations performed in the Facility, prepared by a nationally recognized accounting firm or an independent certified public accounting firm acceptable to Lessor, which statements shall include a balance sheet and statement of income and expenses and changes in cash flow all in accordance with generally accepted accounting principles, and

(iii) within forty-five (45) days after the end of each quarter, current financial statements of Lessee, the Guarantors and the operations performed in the Facility, certified to be true and correct by an officer of Lessee and the Guarantors, as applicable, and

(iv) within thirty (30) days after the end of each month current operating statements of the Leased Property, including, but not limited to operating statistics, certified to be true and correct by an officer of the Lessee and the Guarantors, as applicable, and

(v) within ten (10) days of receipt, any and all notices (regardless of form) from any and all licensing and/or certifying agencies that 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

(vi) with reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Guarantors as Lessor may reasonably request from time to time.

ARTICLE XXVI

INSPECTION

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours subject to any security, health, safety or confidentiality requirements of Lessee, any governmental agency, any Insurance Requirements relating to the Leased Property, or imposed by law or applicable regulations. Lessee shall pay to Lessor on the Commencement Date an amount equal to Five Thousand and 00/100 Dollars (\$5,000.00) to cover the cost of the physical inspections of the Leased Property. Commencing on January 1, 2005, and continuing on January 1 of each year thereafter throughout the Term of this Lease, the inspection fee to be paid by Lessee to Lessor shall increase at a rate equal to two and one-half percent (2.5%) per annum.

ARTICLE XXVII

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVIII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXIX

SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part of any thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXXI

TRANSFERS BY LESSOR

If Lessor or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms hereof, other than as security for a debt, and the grantee or transferee of the Leased Property shall expressly assume all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, and shall be reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXII

QUIET ENJOYMENT

So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder and under the Other Leases, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter consented to by Lessee. No failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease, or to fail to pay any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Article.

Notwithstanding anything contained herein to the contrary, Lessor and Lessee acknowledge that there currently exist certain leases and subleases on the Leased Property (the "Tenant Leases") which are more particularly listed on EXHIBIT C attached hereto and made a part thereof by reference and incorporation, copies of which Tenant Leases the Lessee has received and reviewed. Lessee agrees that it will not disturb the rights of the tenants under the Tenant Leases and will enforce all of the obligations of the tenants under such Tenant Leases and will pay and perform all of the obligations to be performed under the Tenant Leases as if Lessee is the lessor or landlord thereunder. In addition, Lessor and Lessee acknowledge that the Lessee has taken an assignment of certain contracts relating to the operation of the facility located on the Leased Property (the "Contracts"), which Contracts require that certain space in the Leased Property be provided as more particularly described in the Contracts. Lessee agrees to abide by the terms and perform the obligations under the Contracts. Lessee hereby agrees to indemnify and hold Lessor harmless from any liabilities and damages incurred by the Lessor as a result of the Lessee's default under the Tenant Leases and the Contracts.

ARTICLE XXXIII

NOTICES

All notices, demands, consents, approvals, requests and other communications under this Lease shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a recognized over-night delivery service or (d) sent by facsimile transmission and addressed as follows:

- (a) if to Lessee: 1125 Sir Francis Drake Boulevard Operating Company, LLC
4550 Lena Drive
Mechanicsburg, PA 17055
Attention: Mr. Brad E. Hollinger
Fax: (717) 591-5710

with a copy to: Deborah Myers Welsh, Esq.
4550 Lena Drive
Mechanicsburg, PA 17055
Fax: (717) 796-0361

(b) if to Lessor: Kentfield THCI Holding Company, LLC
1000 Urban Center Drive
Suite 501
Birmingham, Alabama 35242
Attn.: Edward K. Aldag, Jr.
Fax: (205) 969-3756

with a copy to: Thomas O. Kolb, Esq.
Baker, Donelson, Bearman, Caldwell & Berkowitz
1600 SouthTrust Tower
Birmingham, Alabama 35203
Fax: (205) 322-8007

or to such other address as either party may hereafter designate, and shall be effective upon receipt. A notice, demand, consent, approval, request and other communication shall be deemed to be duly received if delivered in person or by a recognized delivery service, when left at the address of the recipient and if send by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, demand, consent, approval, request or other communication is served by hand or is received by facsimile on a day which is not a Business Day, or after 5:00 p.m. on any Business Day at the addressee's location, such notice or communication shall be deemed to be duly received by the recipient at 9:00 a.m. on the first Business Day thereafter.

ARTICLE XXXIV

APPRAISAL

In the event that it becomes necessary to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value of the Leased Property or a Substitute Property for any purpose of this Lease, the party required or permitted to give notice of such required determination shall include in the notice the name of a person selected to act as an appraiser on its behalf. Lessor and Lessee agree that any appraisal of the Leased Property shall be without regard to the termination of this Lease 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 Lessee's operations. Within ten (10) days after receipt of any such notice, Lessor (or Lessee, as the case may be) shall by notice to Lessee (or Lessor, as the case may be) appoint a second person as an appraiser on its behalf. The appraisers thus appointed (each of whom must be a member of the American Institute of Real Estate Appraisers or any successor organization thereto) shall, within forty-five (45) days after the date of the notice appointing the first appraiser, proceed to appraise the Leased Property or Substitute Property, as the case may be, to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one (1) appraiser shall have been so appointed, or if two (2) appraisers shall have been so appointed but only one (1) such appraiser shall have made such determination within fifty (50) days after the making of Lessee's or Lessor's request, then the determination of such appraiser shall be final and binding upon the parties. If two (2) appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined.

If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two appraisers shall have twenty (20) days to appoint a third (3rd) appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such 20-day period. If no such appraiser shall have been appointed within such twenty (20) days or within ninety (90) days of the original request for a determination of Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have appointment made by such court. Any appraiser appointed, by the American Arbitration Association or by such court shall be instructed to determine the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two (2) appraisers shall be excluded, and fifty percent (50%) of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Value Purchase Price or Fair Market Added Value for such interest. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXV

PURCHASE RIGHTS

35.1 OPTION TO PURCHASE. So long as Lessee is not in default under the terms of this Lease or the Other Leases, at the expiration of this Lease, the Lessee shall have the option, to be exercised by written notice to the Lessor within three hundred sixty-five (365) days prior to the expiration of this Lease, to purchase the Leased Property at a purchase price equal to the greater of (i) the Fair Market Value of the Leased Property, or (ii) the Purchase Price (increased at the rate of two and one-half percent (2.5%) per annum from the Commencement Date). Unless expressly otherwise provided in this Section 35.1, in the event the Lessee exercises such option to purchase the Leased Property, the terms set forth in Article XVIII shall apply. If Lessee does not exercise Lessee's option to purchase within said three hundred sixty-five (365) day period, Lessor shall be free after the expiration of said three hundred sixty-five (365) day period to sell the Leased Property to any party.

35.2 LESSOR'S OPTION TO PURCHASE LESSEE'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 of this Lease, 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 its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee'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 Lessee pertaining thereto), subject to, and with appropriate price adjustments for, all equipment leases, conditional sale contracts, security interests and other encumbrances to which Lessee's Personal Property is subject.

ARTICLE XXXVI

DEFAULT BY LESSOR

36.1 DEFAULT BY LESSOR. Lessor shall be in default of its obligations under this Lease if Lessor shall fail to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure shall continue for a period of forty-five (45) days after written notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of forty-five (45) days, in which case such failure shall not be deemed to continue if Lessor, within said forty-five (45) day period, proceeds promptly and with due diligence to cure the

failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. In the event Lessor fails to cure any such default within the grace period described above, Lessee, without waiving or releasing any obligations hereunder, and in addition to all other remedies available to Lessee hereunder or at law or in equity, may, after twenty (20) Business Days' prior written notice to Lessor, purchase the Leased Property from Lessor for a purchase price equal to the Fair Market Value Purchase Price of the Leased Property. In the event Lessee elects to purchase the Leased Property, it shall deliver a notice thereof to Lessor specifying a payment date occurring no less than one hundred eighty (180) days subsequent to the date of such notice on which it shall purchase the Leased Property, and the same shall be thereupon conveyed in accordance with the provisions of Article XVIII.

36.2 LESSEE'S RIGHT TO CURE. Subject to the provisions of Section 36.1, if Lessor shall breach any covenant to be performed by it under this Lease, Lessee, after twenty (20) Business Days' prior written notice to and demand upon Lessor in accordance with Section 36.1, without waiving or releasing any obligation of Lessor hereunder, and in addition to all other remedies available hereunder and at law or in equity to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All reasonable sums so paid by Lessee and all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 36.2 shall survive the termination of this Lease.

ARTICLE XXXVII

FINANCING OF THE LEASED PROPERTY

37.1 FINANCING BY LESSOR. Lessor agrees that, if it grants or creates any mortgage, lien, encumbrance or other title retention agreement ("Encumbrances") upon the Leased Property, Lessor will use its good faith reasonable efforts to obtain an agreement from the holder of each such Encumbrance whereby such holder agrees (a) to give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure of such Encumbrance, (b) to permit Lessee, after thirty (30) days prior written notice, to cure any such default on Lessor's behalf within any applicable cure period, in which event Lessor agrees to reimburse Lessee for any and all reasonable out-of-pocket costs and expenses incurred to effect any such cure (including reasonable attorneys' fees), (c) to permit Lessee to appear with its representatives and to bid at any foreclosure sale with respect to any such Encumbrance, (d) that, if subordination by Lessee is requested by the holder of each such Encumbrance, to enter into an agreement with Lessee containing the provisions described in Article XXXVIII of this Lease, and (e) Lessor further agrees that no such Encumbrance shall in any way prohibit, derogate from, or interfere with Lessee's right and privilege to collaterally assign its leasehold and contract rights hereunder provided such collateral assignment and rights granted to the assignee thereunder shall be subordinate to the rights of the holder of an Encumbrance as provided in Article XXXVIII hereof.

ARTICLE XXXVIII

SUBORDINATION AND NON-DISTURBANCE

At the request from time to time by one or more holders of a mortgage or deed of trust that may hereafter be placed by Lessor upon the Leased Property or any part thereof, and any and all renewals, replacements, modifications, consolidations, spreaders and extensions thereof, within thirty (30) days from the date of request, Lessee shall execute and deliver and shall have all subtenants or sublessees of the Leased Property execute and deliver, to such holders a written agreement in a form reasonably acceptable to such holder whereby Lessee 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 the Leased Property or any part thereof and agree with each such holder that Lessee and 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 Lessor under this Lease for the balance of the Term then remaining, subject to all of the terms and provisions of this Lease; provided, however, that each such 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, Lessee 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 Lessee or such applicable subtenant or sublessee is in default under this Lease or any of the Other Leases, Lessor shall have the right to terminate this Lease or the applicable subleases under the terms and provisions expressly set forth herein; (b) agreeing that for any period while it is Lessor hereunder, it will perform, fulfill and observe all of Lessor's representations, warranties and agreements set forth herein or therein; 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 XXXIX

LICENSES

Lessee shall maintain at all times during the Term hereof and any holdover period all federal, state and local governmental licenses, approvals, qualifications, variances, certificates of need, franchises, accreditations, certificates, certifications, consents, permits and other authorizations 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.

Lessee shall not, without the prior written consent of Lessor, which may be granted or withheld in its sole discretion, effect or attempt to effect any change in the license category or status of the Facility or any part thereof. Under no circumstances shall Lessee have the right to transfer any of the Licenses to any location other than the Facility or to any other person or entity (except to Lessor as contemplated herein), whether before, during or after the Term hereof. Following the termination of this Lease, Lessee shall retain no rights whatsoever to the Licenses, and Lessee will not move or attempt to move the Licenses to any other location. To the extent that Lessee 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 Lessor or to Lessor's designee upon termination of this Lease, to the extent allowed by law. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee.

Upon termination of this Lease and for reasonable periods of time immediately before and after such termination, Lessee shall use its best efforts to facilitate an orderly transfer of the operation and occupancy of the Facility to Lessor or any new lessee or operator selected by Lessor, it being understood and agreed that such cooperation shall include, without limitation, (a) Lessee's assignment, if and to the extent allowed by law, to Lessor or Lessor's new lessee or operator of any and all Licenses, (b) Lessee'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 Lessor. Upon any termination of this Lease or any breach or default by Lessee hereunder (which breach or default is not cured within any applicable grace period and which results in Lessor terminating this Lease), Lessor shall have the sole, complete, unilateral, absolute and unfettered right to cause any and all Licenses to be reissued in Lessor's name or in the name of Lessor'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 Lessor's name or in the name of Lessor's designee. The provisions of this Section are in addition to the other provisions of this Lease.

It is an integral condition of this Lease that Lessee 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.

Lessee shall immediately (within two (2) business days) notify Lessor in writing of any notice, action or other proceeding or inquiry of any governmental agency, bureau or other authority whether federal, state, or local, of any kind, nature or description, which could adversely affect any material License or Medicare and/or Medicaid-certification status, or accreditation status of the Facility, or the ability of Lessee to maintain its status as the licensed and accredited operator of the Facility or which alleges noncompliance with any law. Lessee shall immediately (within two (2) business days) upon Lessee's receipt, furnish Lessor with a copy of any and all such notices and Lessor shall have the right, but not the obligation, to attend and/or participate, in Lessor's sole and absolute discretion, in any such actions or proceedings. Lessee shall act diligently to correct any deficiency or deal effectively with any "adverse action" or other proceedings, inquiry or other governmental action, so as to maintain the licensure and Medicare and/or Medicaid-certification status stated herein in good standing at all times. Lessee shall not agree to any settlement or other action with respect to such proceedings or inquiry which affects the use of the Leased Property or any portion thereof as provided herein without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Lessee agrees to provide documentation and sign, and if Lessee fails to do so upon request of Lessor, Lessee hereby irrevocably appoints Lessor, as agent of Lessee for the express purpose of signing, acknowledging and/or delivering any and all documents, instruments or other writings which are or may become necessary, proper and/or advisable to cause any and all rehabilitation hospital licenses, Department of Human Services of the State of California ("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 Lessor or the name of Lessor's designee in the event that Lessor reasonably determines in good faith that (irrespective of any claim, dispute or other contention or challenge of Lessee) there is any breach, default or other lapse in any representation, warranty, covenant or other delegation of duty to Lessee (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 Lessee's license or certification or accreditation status is in jeopardy. This power is coupled with the ownership interest of Lessor in and to the Facility and all incidental rights attendant to any and all of the foregoing rights.

ARTICLE XL

COMPLIANCE WITH HEALTHCARE LAWS

Lessee hereby covenants, warrants and represents to Lessor that as of the Commencement Date and throughout the Term: (i) Lessee shall be, and shall continue to be validly licensed, Medicare and/or Medicaid certified, and, if required, accredited to operate the Facility in accordance with the applicable rules and regulations of the State of California, federal governmental authorities and accrediting bodies, including, but not limited to, the United States Department of Health and Human Services, DHSS, DHS and CMS; and/or (ii) Lessee shall be, and shall continue to be, certified by and the holder of valid provider agreements with Medicare/Medicaid issued by DHHS, DHS and/or CMS and shall remain so certified and shall remain such a holder in connection with its

operation of the Leased Property as a licensed and Medicare and/or Medicaid certified long-term acute care hospital facility; (iii) Lessee shall be, and shall continue to be in substantial compliance with and shall remain in substantial compliance with all state and federal laws, rules, regulations and procedures with regard to the operation of the Facility, including, without limitation, substantial compliance under HIPAA; (iv) Lessee shall operate the Facility in a manner consistent with high quality rehabilitation services and sound reimbursement principles under the Medicare and/or Medicaid programs and as required under state and federal law; and (v) Lessee shall not abandon, terminate, vacate or fail to renew any license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or any other authorization which is required for the lawful and proper operation of the Facility or in any way commit any act which will or may cause any such license, certification, accreditation, certificate, approval, permit, waiver, provider agreement or other authorization to be revoked by any federal, state or local governmental authority or accrediting body having jurisdiction thereof.

ARTICLE XLI

MISCELLANEOUS

41.1 GENERAL. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of Alabama but not including its conflict of laws rules.

41.2 TRANSFER OF LICENSES. Upon the expiration or earlier termination of the Term, Lessee shall, if and to the extent allowed by law, transfer to Lessor or Lessor's nominee, without additional consideration to Lessee, all licenses (except Lessee's operating licenses), operating permits, licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility. Lessee hereby grants to Lessor a landlord's lien on such operating permits and licenses and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary or useful in the operation of the Facility.

41.3 LESSOR'S EXPENSES. In addition to other provisions herein, Lessee agrees and shall pay and/or reimburse Lessor's reasonable costs and expenses, including reasonable legal fees, incurred or resulting from and relating to (a) requests by Lessee for approval or consent under this Lease Agreement; or (b) any circumstances or developments which give rise to Lessor's right of consent or approval; or (c) circumstances resulting from any action or inaction by Lessee contrary to the lease provisions; or (d) 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, or (iv) any other changes in the terms, conditions or provisions of this Lease. Such expenses and fees shall be paid by Lessee within thirty (30) days of the submission of a statement for the same or such amount(s) shall become Additional Charges and subject to the Overdue Rate after the 30 days.

41.4 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), including, without limitation, the First

Amendment and the Letter Amendment, are merged into this Lease. Neither this Lease nor any provision hereof may be modified or amended except by an instrument in writing signed by Lessor and Lessee.

41.5 GUARANTY. At the time of the execution and delivery of this Lease by Lessee to Lessor, Lessee shall simultaneously therewith deliver to the Lessor a Lease Guaranty in a form satisfactory to Lessor, whereby the Guarantors shall absolutely and irrevocably guarantee the full payment and performance of all of Lessee's obligations under this Lease.

41.6 LESSOR'S RIGHT TO SELL. Lessee understands that Lessor may sell its interest in the Leased Property in whole or in part. The Lessee agrees that any purchaser may exercise any and all rights of Lessor, as fully as if such had made the purchase of the Leased Property directly from the Lessee as set out in the Purchase Agreement. Lessor may divulge to any such purchaser all information, reports, financial statements, certificates and documents obtained by it from Lessee. Notwithstanding anything contained herein to the contrary, so long as Lessee is not in default under the terms of this Lease, Lessor shall not sell the Leased Property to a direct competitor of Lessee, without the consent of Lessee, which consent shall not be unreasonably withheld. For the purposes of this Section 41.6, the term "direct competitor" shall mean an entity operating a long-term acute care hospital.

41.7 FUTURE FINANCING. Lessee hereby agrees that if at any time during the Term the Lessee purchases or contemplates the purchase of a facility, or property to be used, for the operation of a business for the Primary Intended Use, or if Lessee wishes to expand or renovate the Leased Property or any other facilities leased to the Lessee under the Other Leases, Lessee shall notify Lessor in writing of such purchase or contemplated purchase, and Lessor shall have the first opportunity to provide financing for such purchase, expansion or renovation upon terms mutually agreeable to Lessor and Lessee.

41.8 SUBORDINATION OF LESSEE AND GUARANTORS. Lessee and Guarantors agree that (a) all indebtedness owed by Lessee under all agreements executed in connection with the Lessee's financing of certain personal property to be used in connection with the operation of the Facility, and (b) all fees due and payable under any Management Agreements, shall be subordinate to all monetary obligations under this Lease. All Management Agreements entered into shall expressly contain an acknowledgment of such subordination. At the request of the Lessor from time to time, Lessee shall execute, and obtain from all parties subject to such Management Agreements executed written confirmation of such subordination, which shall be delivered to Lessor within twenty (20) days from Lessor's request.

41.9 LESSOR SECURITIES OFFERING AND FILINGS. Notwithstanding anything contained herein to the contrary, Lessee agrees to cooperate with Lessor and MPT in connection with any securities offerings and filings and in connection therewith, the Lessee shall furnish Lessor with such financial and other information as Lessor shall request and Lessor and MPT 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 Commitment Letter, the Lessee, the Guarantors, the Leased Property, the Facility, and such other additional information which Lessor and/or MPT may reasonably deem necessary.

41.10 LESSEE'S OBLIGATIONS UNDER PURCHASE AGREEMENT. Lessee shall perform all of its obligations under Sections 6.3, 6.4, 6.5, 6.6, 7.1(b), 7.4, 7.5, 7.8, 8.4(c) and 11.3 of the Purchase Agreement and, if requested to do so by Lessor, shall respond timely to all requests regarding such performance by the selling parties under the Purchase Agreement.

41.11 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.

ARTICLE XLII

MEMORANDUM OF LEASE

Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the state in which the Leased Property is located in which reference to this Lease, and all options contained herein, shall be made.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and their respective corporate seals to be hereunto affixed and attested by their respective officers thereunto duly authorized.

LESSOR:

KENTFIELD THCI HOLDING COMPANY, LLC,
a Delaware limited liability company

BY: MPT OPERATING PARTNERSHIP, L.P.
ITS: SOLE MEMBER

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

Edward K. Aldag, Jr.
Its: President and Chief Executive Officer

LESSEE:

1125 SIR FRANCIS DRAKE BOULEVARD OPERATING
COMPANY, LLC, a Delaware limited liability
company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

GUARANTORS:

VIBRA HEALTHCARE, LLC
(formerly known as Highmark Healthcare, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

SENIOR REAL ESTATE HOLDINGS LLC
(d/b/a The Hollinger Group), a Delaware
limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

VIBRA MANAGEMENT, LLC
(formerly known as Highmark Management, LLC),
a Delaware limited liability company

By: /s/ Brad E. Hollinger

Brad E. Hollinger
Its: President

/s/ Brad E. Hollinger

BRAD E. HOLLINGER

STATE OF ALABAMA

JEFFERSON COUNTY

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared EDWARD K. ALDAG, JR., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President and Chief Executive Officer of MPT Operating Partnership, L.P., the Sole Member of KENTFIELD THCI HOLDING COMPANY, LLC, a Delaware limited liability company, and acknowledged to me that such limited partnership, as the Sole Member of such limited liability company, executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of 1125 SIR FRANCIS DRAKE BOULEVARD OPERATING COMPANY, LLC, a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of VIBRA HEALTHCARE, LLC (FORMERLY KNOWN AS HIGHMARK HEALTHCARE, LLC), a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of SENIOR REAL ESTATE HOLDINGS, LLC (d/b/a THE HOLLINGER GROUP), a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of VIBRA MANAGEMENT, LLC (FORMERLY KNOWN AS HIGHMARK MANAGEMENT, LLC), a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 2004, before me, _____, a Notary Public of said State, duly commissioned and sworn, personally appeared BRAD E. HOLLINGER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

NOTARY PUBLIC
Printed Name: _____
My Commission Expires: _____

[AFFIX NOTARY SEAL]

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C
TENANT LEASES

FIRST AMENDMENT TO
THIRD AMENDED AND RESTATED LEASE AGREEMENT

THIS FIRST AMENDMENT TO THIRD AMENDED AND RESTATED LEASE AGREEMENT (the "First Amendment") is made and entered into on this the 31st day of December, 2004, by and between KENTFIELD THCI HOLDING COMPANY, LLC, a Delaware limited liability company ("Lessor") and 1125 SIR FRANCIS DRAKE BOULEVARD OPERATING COMPANY, LLC, a Delaware limited liability company ("Lessee"), as follows:

R E C I T A L S:

A. Lessor and Lessee entered into that certain Third Amended and Restated Lease Agreement dated as of December 20, 2004 (the "Lease"), whereby the Lessor leased to Lessee certain leased property, including the real property located in Kentfield, Marin County, California, as described in the Lease.

B. Lessor and Lessee desire to amend the terms, conditions and provisions of the Lease.

NOW, THEREFORE, in consideration of mutual covenants, conditions and agreements herein contained, the parties hereto agree that the Lease is hereby amended as follows:

1. AMENDMENT.

Article XXI ("Substitution of Property") is hereby deleted in its entirety, and all references in the Lease to the substitution of property and the "substituted property" are hereby deleted in their entirety.

2. REPRESENTATION. Lessee represents and warrants that no consents, approvals or notices are required to be obtained from or given to any persons in connection with the execution of this First Amendment.

3. NO DEFAULTS. Lessee represents and warrants that all representations and warranties set forth in the Lease are true and correct on the date hereof and that there are no defaults or events of default under the Lease.

4. RATIFICATION. Except as expressly amended hereby, the Lease is hereby confirmed and ratified in all respects by each of the parties thereto.

5. MISCELLANEOUS.

(a) Lessee acknowledges, represents and warrants that the officer of the Lessee, whose name is signed to this First Amendment, has been duly and properly authorized by the Lessee to sign this First Amendment for and on behalf of the Lessee.

(b) This First Amendment may be executed in separate counterparts each of which shall be an original and all of which shall be deemed to be one and the same instrument.

[See Following Page for Signatures]

IN WITNESS WHEREOF, Lessor and Lessee have executed this First Amendment to be effective as of the date first written above.

LESSOR:

KENTFIELD THCI HOLDING COMPANY, LLC,
a Delaware limited liability company

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: /s/ R. Steven Hamner

R. Steven Hamner
Its: Executive Vice President and
Chief Executive Officer

LESSEE:

1125 SIR FRANCIS DRAKE BOULEVARD,
LLC, a Delaware limited liability company

By: /s/ Brad E. Hollinger

BRAD E. HOLLINGER
Its: President

STATE OF ALABAMA
JEFFERSON COUNTY

On this ____ day of _____, 200____, before me, the undersigned authority, a Notary Public in and for said State, duly commissioned and sworn, personally appeared R. Steven Hamner, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Executive Vice President and Chief Financial Officer of MPT Operating Partnership, L.P., the Sole Member of Kentfield THCI Holding Company, LLC, a Delaware limited liability company, and acknowledged to me that such limited partnership, as the sole member of such limited liability company executed the same.

WITNESS my hand and official seal on this the _____ day of _____, 200____.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

STATE OF _____
COUNTY OF _____

On this ____ day of _____, 200__, before me, the undersigned authority, a Notary Public in and for said State, duly commissioned and sworn, personally appeared Brad E. Hollinger, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President of 1125 Sir Francis Drake Boulevard Operating Company, LLC, a Delaware limited liability company, and acknowledged to me that such limited liability company executed the same.

WITNESS my hand and official seal on this the _____ day of _____, 200__.

[AFFIX NOTARY SEAL]

NOTARY PUBLIC
Printed Named: _____
My Commission Expires: _____

LOAN AGREEMENT
(MEDICAL OFFICE BUILDING CONSTRUCTION)

THIS LOAN AGREEMENT (this "Agreement") dated effective as of December 17, 2004, is made by and between COLONIAL BANK, N.A. ("Lender") and MPT WEST HOUSTON MOB, L.P., a Delaware limited partnership ("Borrower").

ARTICLE I.
DEFINITIONS

For purposes of this Agreement, in addition to other terms defined herein, the following terms shall have the respective meanings assigned to them.

1.1 Advance. The term "Advance" shall mean a disbursement from Lender's account to or for the benefit of Borrower of any of the proceeds of the Loan and/or the Borrower's Deposit in accordance with any of the provisions of this Agreement or of any of the other Loan Documents.

1.2 Application for Advance. The term "Application for Advance" shall mean a written application on Lender's prescribed form, a copy of which is attached hereto as Schedule 2.11(b), certified by Borrower and Architect addressed to Lender specifying by name, current address, and amount all parties to whom Borrower is obligated for labor, materials, or services supplied for the construction of the Improvements and all other expenses incident to the Loan, the Property, and the construction of the Improvements, whether or not specified in the Approved Budget, requesting an Advance for the payment of such items, accompanied by such schedules, affidavits, releases, waivers, statements, invoices, bills, and other documents as Lender may reasonably request.

1.3 Approved Budget. The term "Approved Budget" shall mean that certain budget attached hereto as Exhibit B and incorporated herein by reference.

1.4 Approved Contracts. The term "Approved Contracts" shall mean the Plans, the Construction Contract, the Architect Agreement, and the Development Agreement, all of which have been approved by the Lender prior to the date hereof.

1.5 Architect. The term "Architect" shall mean Davis Stokes Collaborative, P.C., or such other substitute architect as the Borrower may retain from time to time for purposes of design services and preparing Applications for Advance.

1.6 Architect Agreement. The term "Architect Agreement" shall mean those two (2) AIA Documents B141-1997, entitled "Standard Form of Agreement Between Owner and Architect with Standard Form of Architect's Services," both dated as of August 20, 2003, by and between the Borrower and the Architect, relating to the medical office building project and the physician office suite project, copies of which have been provided to Lender prior to the date hereof.

1.7 Architect's Consent. The term "Architect's Consent" shall mean that certain Architect's Consent to Assignment of Architect's Agreement, executed in connection herewith by Architect.

1.8 Assignment of Contracts. The term "Assignment of Contracts" shall mean the Assignment of Contract Documents dated as of the date hereof, by and between Borrower and Lender.

1.9 Assignment of Leases. The term "Assignment of Leases" shall mean the Assignment of Rents and Leases dated as of the date hereof, by and between Borrower and the Lender.

1.10 Bonds. The term "Bonds" shall mean the Payment Bond and the Performance Bond, collectively, in form and substance reasonably satisfactory to Lender, with a surety company reasonably acceptable to Lender and licensed to do business in the State of Texas, as surety, and with Borrower and Lender as joint and several obligees.

1.11 Code. The term "Code" shall mean the Uniform Commercial Code of the State of Texas.

1.12 Community Hospital Borrower. The term "Community Hospital Borrower" shall mean MPT West Houston Hospital, L.P., a Delaware limited partnership.

1.13 Community Hospital Lease. The term "Community Hospital Lease" shall mean that certain Lease Agreement, dated June 17, 2004, by and between Community Hospital Borrower, as landlord, and MOB Tenant, as tenant, regarding the lease of the improvements more particularly described in the Community Hospital Mortgage.

1.14 Community Hospital Loan. The term "Community Hospital Loan" shall mean the loan from the Lender to the Community Hospital Borrower in the original principal amount of Twenty-Eight Million Eighty-Six Thousand Four Hundred Twenty-Five and No/100 Dollars (\$28,086,425.00) pursuant to the Community Hospital Loan Agreement.

1.15 Community Hospital Loan Agreement. The term "Community Hospital Loan Agreement" shall mean that certain Loan Agreement of even date herewith executed by Community Hospital Borrower and Lender.

1.16 Community Hospital Mortgage. The term "Community Hospital Mortgage" shall mean that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated of even date herewith, executed by Community Hospital Borrower and conveying to Lender the property more particularly described therein as security for the Community Hospital Note and the Note and payment and performance of all obligations specified therein, the Community Hospital Loan Agreement, the Mortgage and this Agreement.

1.17 Community Hospital Note. The term "Community Hospital Note" shall mean that certain Promissory Note of even date herewith, from Community Hospital Borrower to Lender evidencing the Community Hospital Loan.

1.18 Completion Date. The term "Completion Date" shall mean the date of completion of the Improvements as set forth in the Development Agreement.

1.19 Construction Contract. The term "Construction Contract" shall mean that certain AIA Document A111-1997 "Standard Form of Agreement Between Owner and Contractor," dated as of July 15, 2004, by and between the Borrower and the Contractor, a copy of which has been provided to Lender prior to the date hereof.

1.20 Contractor. The term "Contractor" shall mean Dunn Southeast, Inc. d/b/a R.J. Griffin & Company, or such other substitute contractor as the Borrower may retain from time to time to perform labor and other services and provide materials for the construction of the Improvements.

1.21 Contractor's Consent. The term "Contractor's Consent" shall mean that certain Contractor's Consent to Assignment of Construction Contract executed in connection herewith by the Contractor.

1.22 Debtor Relief Laws. The term "Debtor Relief Laws" shall mean any applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization, or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

1.23 Development Agreement. The term "Development Agreement" shall mean that certain Development Agreement [MOB], dated April 29, 2004, by and among the MOB Tenant, Medistar Corporation, a Texas corporation, and Medistar Westside Houston Center, Ltd., a Texas limited partnership, as the same has been assigned by MOB Tenant to Borrower pursuant to that certain Assignment and Assumption of Development Agreement [MOB], dated June 17, 2004, true, correct and complete copies of which have been provided to the Lender prior to the date hereof.

1.24 Environmental Indemnity Agreement. The term "Environmental Indemnity Agreement" shall mean that certain Hazardous Materials Indemnity Agreement dated of even date herewith, executed by Borrower.

1.25 Financial Statements. The term "Financial Statements" shall mean (a) the balance sheet and statement of income and retained earnings and cash flows of the Borrower for the fiscal year ended December 31, 2003, (b) all unaudited balance sheets and statements of income and retained earnings and cash flows of the Borrower for the period beginning January 1, 2004 and ending on October 31, 2004, and (c) all future balance sheets and statements of income and retained earnings and cash flows of the Borrower required to be furnished to Lender under the terms of this Agreement or any other of the Loan Documents from time to time.

1.26 Financing Statements. The term "Financing Statements" shall mean the Form UCC-1 or other Code financing statements perfecting the security interest securing the Loan, to be filed with the appropriate offices for the perfection of a security interest in any of the Property.

1.27 General Partner. The term "General Partner" shall mean MPT West Houston MOB, LLC, a Delaware limited liability company.

1.28 Governmental Authority. The term "Governmental Authority" shall mean the United States, the State of Texas, the County of Harris, the City of Houston, or any other political subdivision in which the Property is located, and any other political subdivision, agency, or instrumentality exercising jurisdiction over Borrower, the Property or the Improvements.

1.29 Governmental Requirements. The term "Governmental Requirements" shall mean all laws, ordinances, rules and regulations of any Governmental Authority applicable to Borrower or the Property.

1.30 Gross Receipts. The term "Gross Receipts" shall mean (i) the total gross rents received by Borrower, including, but not limited to, base rent and expense pass-throughs, for each designated period under all Leases, concession agreements, and parking agreements or arrangements, regardless of what such rentals may be called, plus (ii) all other revenues of any kind received by Borrower in such designated period from or with respect to, the Improvements, including, but not limited to, the proceeds of any rent loss or business interruption insurance payable for the period in question and security and cleaning and damage deposits applied to a rental or cost obligation and interest earned thereon, amounts received by Borrower for common area maintenance, exclusive, however, of the proceeds from any casualty or condemnation other than rental loss or business interruption insurance described above, capital contributions to Borrower from the General Partner, or loans to Borrower by the General Partner, and unforfeited tenant security deposits.

1.31 Guarantor. The term "Guarantor" shall mean Medical Properties Trust, Inc., a Maryland corporation.

1.32 Guaranty. The term "Guaranty" shall mean that certain Limited Guaranty executed by Guarantor.

1.33 Improvements. The term "Improvements" shall mean a medical office building containing approximately 120,000 gross square feet, built in accordance with the Plans and in and in accordance with all applicable requirements as to usage, utility hookups, ingress and egress, landscaping and finish work required under the Plans.

1.34 Inspecting Architects/Engineers. The term "Inspecting Architects/Engineers" shall mean AECC or its replacement as selected by Lender.

1.35 Interest Reserve. The term "Interest Reserve" shall have the meaning set forth in Section 2.17 below.

1.36 Knowledge. The term "Knowledge" shall mean (a) with respect to the Borrower or the Guarantor, the conscious awareness of Edward K. Aldag, Jr., Emmett E. McLean, or R. Steven Hamner, and (b) with respect to any other person or entity, the conscious awareness of facts or other information by such person or the principal officers of such entity.

1.37 Laws. The term "Laws" shall mean all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, decisions, opinions or decrees of any Governmental Authority or any Tribunal.

1.38 Leases. The term "Leases" shall mean all leases of space in the Improvements entered into between Borrower and tenants of the Improvements, including, without limitation, the MOB Lease (as hereinafter defined).

1.39 Lien. The term "Lien" shall mean any lien, mortgage, security interest, pledge, charge, or encumbrance of any kind, including, without limitation, a mechanic's lien, a materialman's lien, the rights of a vender, lessor, or similar party under any conditional sales agreement or other title retention agreement or lease substantially equivalent thereto, and any other right of or arrangement with any creditor to have his claim satisfied out of any property or assets, or the proceeds therefrom, prior to the general creditors of the owner thereof. Notwithstanding the foregoing, the term "Lien" shall not include any Permitted Encumbrances.

1.40 Loan. The term "Loan" shall mean the loan by Lender to Borrower, in an amount not to exceed the principal sum set forth in Section 2.18 of this Agreement, for the payment of the costs of labor, materials, and services supplied for the construction of the Improvements, specified in the Approved Budget, and all other expenses incident to the acquisition and the construction of the Property, all as specified in the Approved Budget, as well as any involuntarily advanced funds in excess of the principal loan amount which Lender deems reasonably necessary to preserve and to protect collateral covered by the Loan Documents and Lender's status as a first lienholder as to the Property, Improvements and other collateral for the Loan.

1.41 Loan Documents. The term "Loan Documents" shall mean this Agreement, the Mortgage, the Note, the Assignment of Leases, the Assignment of Contracts, the Environmental Indemnity Agreement, the Financing Statements, the Guaranty, the Community Hospital Note, Community Hospital Loan Agreement, Community Hospital Mortgage, the Community Hospital Loan Documents (as defined in the Community Hospital Mortgage), and such other instruments evidencing, securing, or pertaining to the Loan as shall, from time to time, be executed and delivered by Borrower to Lender pursuant to this Agreement, including, without limitation, each Application for Advance and the Approved Budget.

1.42 Major Contracts. The term "Major Contracts" shall mean all contracts comprising the Construction Contract requiring aggregate payments thereunder in excess of One Hundred Thousand and No/100 Dollars (\$100,000.00).

1.43 Material Agreement. The term "Material Agreement" shall mean any material written or oral agreement, contract, commitment, promissory note, lease or understanding requiring payments, pledges, or performance executed in connection with the Property over the

term of any such agreement, contract, commitment or understanding in excess of Fifty Thousand and No/100 Dollars (\$50,000.00) to which the person or entity in question is a party, by which such person or entity is directly or indirectly bound, jointly or severally bound, contingently or directly liable, or to which any assets of such person or entity may be subject, which is not cancelable by such person or entity upon thirty (30) days' or less notice without liability for further payment other than a nominal penalty; including, but not limited to, the Construction Contract.

1.44 Maximum Rate. The term "Maximum Rate" shall mean during the term of the Loan the maximum permissible amount which may be paid or agreed to be paid to Lender or the holder of the Note, or collected by Lender or such holder, for the use, forbearance, or detention of the Loan or for the payment of or performance of any covenant obligation contained in any of the Loan Documents under applicable federal or state usury laws.

1.45 MOB Lease. The term "MOB Lease" shall mean that certain Lease Agreement dated June 17, 2004, by and between Borrower, as landlord, and the MOB Tenant, as tenant, regarding the lease of the Improvements.

1.46 MOB Tenant. The term "MOB Tenant" shall mean Stealth L.P., a Delaware limited partnership.

1.47 Mortgage. The term "Mortgage" shall mean the Deed of Trust, Assignment of Leases, Security Agreement and Fixture Filing, of even date herewith, conveying to Lender the Property as security for the payment of the Note and the payment and performance of all obligations specified therein, and in this Agreement, the Community Hospital Mortgage and the Community Hospital Loan Agreement.

1.48 Net Operating Income. The term "Net Operating Income" shall mean, for any designated period, the amount by which Gross Receipts for the period in question exceed Operating Expenses.

1.49 Note. The term "Note" shall mean the Promissory Note from Borrower to Lender of even date herewith in the original principal amount of Fifteen Million Three Hundred Fifty-Six Thousand Five Hundred Seventy-Five and No/100 Dollars (\$15,356,575.00) and evidencing the Loan.

1.50 Operating Expenses. The term "Operating Expenses" shall mean the sum of the following expenses to the extent such expenses have been paid by Borrower for the designated period for which the Net Operating Income computation is being made: (a) all taxes and assessments imposed upon the Project; (b) all insurance premiums for insurance incurred in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this paragraph shall be the premium fairly allocable to the Project; (c) operating expenses of the Project (unless such expenses are paid by proceeds of insurance policies or are paid out of the account) for the operation, cleaning, leasing, marketing, maintenance and repair, to the extent properly chargeable against income in accordance with generally accepted accounting practices including, without limitation, wages and payroll costs, reasonable accounting and bookkeeping

expenses, utilities and hearing charges, material costs, maintenance costs, costs of services, water and sewer charges, license fees and business taxes, and such other expenses normally considered as an industry-wide cost of operating a medical office building; provided that such costs shall not include (i) any of the foregoing items to the extent paid by a tenant of Borrower or any other third party which reimburses Borrower for any cost or expense except to the extent such items paid by a tenant or third party are also included in gross rental receipts and other receipts generated by the use and operation of the Project; or (ii) any deduction for depreciation of the Project taken or noted on the Borrower's income tax returns; or (iii) the cost of capital improvements made to the Project not taken or noted as a deduction on the Borrower's federal income tax returns and not included in the operating budget; or (iv) the cost of the Borrower's federal, state or local income taxes.

1.51 Origination Fee. The term "Origination Fee" shall mean One Hundred Fifty-Three Thousand Five Hundred Sixty-Seven and No/100 Dollars (\$153,567.00), plus an underwriting fee in the amount of Nine Hundred and No/100 Dollars (\$900.00), to be paid to Lender on the date hereof, if not previously paid, in consideration of Lender's originating the Loan to Borrower and of the commitment of Lender to make the proceeds of the Loan available to Borrower from time to time during the term of this Agreement in accordance with the terms hereof. The Origination Fee will be fully earned on execution of this Agreement and shall be absolutely non-refundable.

1.52 Payment Bond. The term "Payment Bond" shall mean a bond assuring the payment of each subcontractor responsible for at least ten percent (10%) of the aggregate costs of constructing the Improvements from such company(ies) licensed to do business in the State of Texas and in such form, content and amounts as are satisfactory to Lender, naming Borrower and Lender as additional obligees.

1.53 Performance Bond. The term "Performance Bond" shall mean a bond assuring the performance of each subcontractor responsible for at least ten percent (10%) of the aggregate costs of constructing the Improvements, and which bond is issued by such company(ies) licensed to do business in the State of Texas and in such form, content and amounts as are reasonably satisfactory to Lender, naming Borrower and Lender as an additional obligees.

1.54 Permitted Encumbrance. The term Permitted Encumbrance shall mean (a) those encumbrances, liens, assignments or security interests currently outstanding and described on the attached Schedule 1.54, (b) those encumbrances, liens, assignments or security interests pledged previously to the Lender or incurred pursuant to this Agreement, (c) deposits regarding workers' compensation unemployment insurance, pensions, or other employee benefits, (d) tax liens for taxes not due or which are being contested in good faith, during any fiscal year, or (e) materialmen's lien for sums not yet due and payable.

1.55 Plans. The term "Plans" shall mean the final working drawings and specifications, together with any amendments or modifications thereto, for the construction of the Improvements, prepared by Architect, and approved by Lender. Borrower, any lessee of the Property, if applicable, and any necessary Governmental Authority.

1.56 Project. The term "Project" shall mean the proposed Improvements, and related improvements, to be constructed or installed by Borrower on the Property together with the Property.

1.57 Property. The term "Property" shall mean the real property described in Exhibit A attached hereto and incorporated herein by reference, together with the Improvements.

1.58 Taxes. The term "Taxes" shall mean all taxes, assessments, fees, levies, imposts, duties, deductions, withholdings, or other charges of any nature whatsoever from time to time or at any time imposed by any Laws or by any Tribunal.

1.59 Title Company. The term "Title Company" shall mean First American Title Insurance Company.

1.60 Title Policy. The term "Title Policy" shall mean that certain mortgagee's title insurance policy respecting the Property issued by the Title Company in accordance with the title commitment no. NCS-129932-ATL dated November 16, 2004, a copy of which has been delivered to Lender prior to the date hereof.

1.61 Tribunal. The term "Tribunal" shall mean any court, department, commission, board, bureau, agency, or instrumentality of any Governmental Authority.

ARTICLE II. ADVANCES

2.1 Commitment of Lender. Subject to the provisions of this Agreement, and provided that an Event of Default has not occurred, and no event or condition which with the giving of notice or the passage of time or both would reasonably be expected to constitute an Event of Default has occurred and remains uncured to Lender's satisfaction, Lender will make Advances to Borrower up to the maximum principal amount set forth in Section 2.18 hereof. The obligation of Lender to make Advances to Borrower shall terminate and expire at 1:00 p.m., Dallas, Texas time on April 15, 2006.

2.2 General Conditions Precedent. The following must be satisfied as conditions precedent to Lender's obligation to make any Advance at any time:

(a) All representations and warranties set forth in this Agreement, in each Application for Advance and in all other Loan Documents shall be true and correct, in all material respects, on and as of the date of any such Advance, with the same effect as if made and repeated on that date.

(b) As of the date of any such Advance,

(1) Borrower is in material compliance with all of the covenants, agreements, obligations and undertakings required to be performed by Borrower under this Agreement and under the other Loan Documents unless compliance thereof shall have been waived in writing by Lender;

(2) No Event of Default as defined herein or in any other Loan Documents, and no event or condition which with the notice or the passage of time or both as prescribed herein or in such other Loan Documents, would reasonably be expected to constitute any such Event of Default has occurred and remains uncured to Lender's reasonable satisfaction;

(3) There shall have been no material adverse change in the net income or condition of the Property or in the business or financial condition or management of Borrower and no material condemnation or adverse zoning or usage change proceedings shall have been commenced or, to Borrower's Knowledge, threatened against the Property;

(4) All statements contained in Borrower's Application for Advance are true and correct, in all material respects, and all other certificates furnished to Lender by or on behalf of Borrower or in connection with the transactions contemplated by this Agreement or any of the other Loan Documents are true and correct, in all material respects, and there are no facts or events known to Borrower which, if disclosed to Lender, would make such statements or certificates untrue in any material respect; and

(5) All documentation shall at all times be in form and content reasonably acceptable to Lender.

(c) It shall also be a condition to Lender's obligation to make any Advance that Lender has received the approval of the Application for Advance by the Inspecting Architects/Engineers so long as the Inspecting Architects/Engineers provide such approvals within the time periods required for such Advance under the Development Agreement.

(d) Lender shall have no obligation: (i) to make any Advance if any condition precedent set forth herein has not been fully satisfied, (ii) to make any Advance for a line item which exceeds the sums for such line item on the Approved Budget (subject to the provisions of Section 2.14 hereof), (iii) to make more than one (1) Advance in any one (1) month, and (iv) to make any Advance which would cause the aggregate of all Advances by Lender to exceed the maximum amount set forth in Section 2.18 hereof.

2.3 Payment of Principal and Interest on the Loan. Interest on the Loan, at the rate specified in the Note, shall be computed on the unpaid principal balance which exists from time to time, shall be computed with respect to each Advance only from the date of such Advance. Any payment of principal or interest on the Loan shall be paid in accordance with the Note.

2.4 Applications for Advances. Advances for the payment of costs of labor, materials, and services supplied for the construction of the Improvements shall be made by Lender, not more frequently than once a month, upon compliance by Borrower with this Agreement after actual commencement of construction of the Improvements for work actually done during the preceding period. Not more frequently than once a month, unless Borrower and

Lender agree, in writing, on more frequent Advances, Borrower shall submit an Application for Advance to Lender requesting an Advance for the payment of costs of labor, materials, and service supplied for the construction of the Improvements or for the payment of other costs and expenses incident to the Loan, the acquisition of the Property, or the construction of the Improvements, and specified in the Approved Budget. Each Application for Advance shall be submitted by Borrower to Lender in a reasonable time, but not less than ten (10) days prior to the date on which an Advance is desired by Borrower. Upon receipt of the Application for Advance, Lender may request an inspection of and require a favorable report on the Improvements by the Inspecting Architects/Engineers prior to making any Advance, provided that such request is made and such report is delivered timely to avoid any default under the Development Agreement or the Construction Contract. The Inspecting Architects/Engineers shall certify to Lender that at the time an Application for Advance is made: (a) the Advance requested is in proportion to the work completed in accordance with the Development Agreement and the Construction Contract; (b) that all work has been performed in a good and workmanlike manner; (c) that construction of the Improvements is proceeding diligently and in accordance with the Plans; and (d) there are sufficient funds remaining to complete the construction of the Improvements consistent with the line items and aggregate amounts specified in the Approved Budget. Lender's receipt of any such certification shall not be deemed as Lender's acceptance of any such work completed or a waiver by Lender of any of Lender's rights to seek full performance of the requirements of this Agreement from Borrower.

2.5 Aggregate of Advances. Advances for payment of costs of construction of the Improvements shall not exceed the aggregate of (a) the costs of labor, materials, and services incorporated into the Improvements in accordance with the Development Agreement and the Construction Contract, plus (b) the purchase price of all uninstalled materials to be utilized in the construction of the Improvements stored on the Property, or elsewhere in accordance with the Development Agreement and the Construction Contract, less (c) all prior Advances for payment of costs of labor, materials, and services for the construction of the Improvements or in the consummation of this Loan.

2.6 Use of Advances. Borrower shall disburse all Advances for payment of costs and expenses incurred for the development, financing, and construction of the Improvements as specified in the Approved Budget, and most recently requested on an Application for Advance, and for no other purpose.

2.7 The Borrower's Deposit. If Lender and Inspecting Architects/Engineers at any time make a reasonable good-faith determination that the amount of the unadvanced portion of the Loan will not be sufficient to pay fully for all costs required to complete the construction of the Improvements in accordance with the approved Plans and Approved Budget, whether such deficiency is attributable to changes in the work of construction or in the Plans or to any other cause, Lender may make written demand on Borrower to deliver to Lender the amount of the shortage determined by Lender (the "Borrower's Deposit"), which Borrower's Deposit shall be placed in an interest bearing account by Lender. Borrower shall deposit the amount of the Borrower's Deposit within thirty (30) days after the date of Lender's written demand. No further Advances need be made by Lender until the Borrower's Deposit is made by Borrower. Borrower shall promptly notify Lender in writing if and when, to Borrower's Knowledge, the cost of the

construction of the Improvements exceeds, or appears likely to exceed, the amount of the unadvanced portion of the Loan and the unadvanced portion of the Borrower's Deposit.

2.8 Direct Disbursement and Application by Lender. Lender shall have the right, but not the obligation, following at least five (5) days' prior written notice to Borrower, to disburse and apply the proceeds of any Advance to the satisfaction of any of Borrower's obligations hereunder directly to Contractor, the Title Company, and any other person or firm to whom payment is due under this Agreement or any other Loan Documents, except with respect to any payment contested by Borrower pursuant to Section 4.22 hereof. Any Advance by Lender for such purpose, except Borrower's Deposit, shall be part of the Loan and shall be secured by the Loan Documents. Subject to Borrower's right to contest a claim pursuant to Section 4.22 hereof, Borrower hereby authorizes Lender, following at least five (5) business days' prior written notice to Borrower, to hold, use, disburse, and apply the Loan and the Borrower's Deposit for payment of costs of construction of the Improvements, expenses incident to the Loan and the Property, and the payment or performance of any obligation of Borrower hereunder, including, without limitation, interest on the Loan, any Loan fees owing to Lender, legal fees of Lender's attorneys which are payable by Borrower, and such other sums as may be owing from time to time by Borrower to Lender with respect to the Loan. Such payments may be made, at the option of Lender following at least five (5) business days' prior written notice to Borrower, by (a) debiting or charging Borrower's Loan account in the amount of such payments without first disbursing such amounts to Borrower, or (b) advancing all or any part of the amount of such payments to Borrower and then invoicing Borrower therefor. No further direction or authorization from Borrower shall be necessary to warrant such direct Advances and all such Advances shall satisfy pro tanto the obligations of Lender hereunder and shall be secured by the Loan Documents as rally as if made directly to Borrower. Notwithstanding the other provisions of this paragraph, nothing in this Agreement is intended to be for the benefit of, nor may be enforced by, nor should be relied upon by, any person, firm or corporation other than Borrower.

2.9 Advances Do Not Constitute A Waiver. No Advance shall constitute a waiver of any of the conditions of Lender's obligations to make further Advances nor, in the event Borrower is unable to satisfy any such condition, shall any such waiver have the effect of precluding Lender from thereafter declaring an Event of Default hereunder with respect to any such inability which shall constitute an Event of Default.

2.10 Conditions to the First Advance. As a condition precedent to the first Advance hereunder (the "First Advance"), Borrower must satisfy the conditions required hereby and set forth elsewhere in this Agreement and deliver to Lender, the documents, certificates, and other items that are set forth below:

- (a) The Origination Fee;
- (b) The Loan Documents duly executed and in recordable form by Borrower and, other parties thereto, if applicable;
- (c) The irrevocable commitment of the Title Company to issue the Title Policy in the normal course of business after the payment of the premiums for such policy;

(d) The survey of the Property, dated April 1, 2003 and last updated on December 10, 2004, and issued by Carter & Burgess, Inc., a copy of which has previously been delivered to Lender, and a certification to the benefit of Lender and the Title Company by a duly registered land surveyor or engineer reasonably acceptable to Lender;

(e) The Assignment of Contracts together with the consent of the Architect and Contractor and any other such party to the assignment thereof;

(f) The insurance policies or certificates of such insurance policies as specified in Section 4.13 herein;

(g) A list of the names and addresses of all parties to Major Contracts, together with, if requested by Lender, true and correct copies of all executed contracts and subcontracts;

(h) The Financial Statements;

(i) All governmental permits and approvals necessary or appropriate to complete development and construction of the Project which have been issued as of the date hereof, all of which are to be assigned to Lender as additional security for the Loan, in such manner as shall be acceptable to Lender's legal counsel;

(j) Estoppel Certificate and SNDA in form and substance reasonably acceptable to Lender, from the MOB Tenant;

(k) Evidence that all approvals required under the zoning and property use laws and ordinances applicable to the Property (including any necessary rezoning or other changes in the property use classifications of the Property) and all approvals required under State and local Property subdivision laws and ordinances to acquire the Property in compliance with such laws and ordinances have been obtained and have been or will be complied with;

(l) Evidence that tap permits or "connections" for water and sanitary sewer service to the Property have been obtained or requested;

(m) Evidence that all of the streets providing access to the Property either have been dedicated to public use or established by private easement, duly recorded in the records of the County in which the Property is located, and have been fully installed and accepted by the applicable Governmental Authority, with all costs and expenses of the installation and acceptance thereof having been paid in full, and that there are no restrictions on the use and enjoyment of such streets that adversely affect, limit, or impair Borrower's ability to develop and construct the Property or operate the Property for the purposes and in the manner represented to Lender;

(n) Evidence of the availability for hook-up at the boundaries of the Property of all utilities and other related services to the Property including specifically, but without limitation, gas, electricity, telephone, waste removal, water services and storm and sanitary sewer facilities;

(o) Evidence reasonably satisfactory to Lender's legal counsel that all necessary action on the part of Borrower has been taken with respect to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, so that this Agreement and all Loan Documents to be executed and delivered by or on behalf of Borrower will be valid and binding upon Borrower or the person or entity executing and delivering such document in accordance with its terms. Such evidence shall include the legal opinion of legal counsel for Borrower, as reasonably approved by Lender, and covering such other matters as Lender may reasonably require in form and content reasonably acceptable to Lender's legal counsel and containing no exceptions other than such as may be reasonably acceptable to Lender and its legal counsel;

(p) A consulting engineer's report or architect's certification, including or being accompanied by a soils investigation report from a soils engineer reasonably satisfactory to Lender;

(q) An environmental engineering report for the Property conducted by an engineer reasonably acceptable to Lender, in form and content satisfactory to Lender;

(r) The Approved Budget;

(s) Issuance of the Payment and Performance Bonds;

(t) The fully executed MOB Lease;

(u) Evidence satisfactory to Lender that Five Million One Hundred Eighteen Thousand Eight Hundred Twenty-Three and No/100 Dollars (\$5,118,823.00) has been invested in or loaned to Borrower, and that such amount will be spent by Borrower to defray the costs of the Project before any advances are made by Lender to Borrower, provided that Lender hereby acknowledges that certain affiliates of the Borrower have previously advanced to Borrower the sum of approximately One Million Nine Hundred Sixty-Three Thousand Three Hundred Seventy-Four and 71/100 Dollars (\$1,963,374.71) to fund initial construction costs of the Improvements and such advance shall be credited against such total funds required to be invested in or loaned to Borrower hereunder (with Lender acknowledging that such amount may increase from time to time hereafter); and

(v) Evidence reasonably satisfactory to the Lender that all conditions to payment of such Advance as set forth in Section 6(g) of the Development Agreement have been satisfied in all material respects.

2.11 Conditions to Subsequent Advances. As a condition precedent to each Advance subsequent to the First Advance, in addition to all other requirements herein, Borrower must

satisfy the following requirements and, if required by Lender, deliver to Lender evidence of such satisfaction:

(a) The general conditions set forth in Section 2.2 and the conditions precedent to the first Advance set forth in Section 2.10 shall have been satisfied, in all material respects, and continue to be satisfied, in all material respects, as of the date of the disbursement of any Advance;

(b) Borrower shall deliver to Lender an Application for Advance accompanied by the documents and schedules set forth below in Lender's prescribed form, a copy of which is attached hereto as Schedule 2.11(b).

(1) A "Payment Request" containing a detailed budget breakdown specifying:

(i) the amount of the Loan proceeds allocated for each line item on the Approved Budget;

(ii) the amount of the Advance requested from each line item on the Approved Budget; and

(iii) the total Advances to date from each line item on the Approved Budget;

(2) A "Payee Schedule" itemizing all parties to be paid with the Advance and the amounts to be paid to each;

(3) A "Request for Funds Certification", executed by Borrower and Architect, stating among other matters:

(i) the labor, services and/or materials covered by the Application for Advance have been performed upon or furnished in the construction of the Improvements;

(ii) there have been no material changes in the Approved Budget except those approved by Lender in writing;

(iii) all construction to date has been performed in accordance with the Plans, and there have been no material changes in the Plans except as have been approved by Lender in writing;

(iv) there have been no material changes in the scope of time of performance of the work of construction, nor any material extra work, labor or materials ordered or contracted for, nor are any such material changes or extras contemplated, except as have been approved by Lender in writing;

(v) subject to Section 2.13 hereof, the payments to be made with the Advance requested will pay all bills received and then due to date for any labor, materials and services furnished in connection with construction of the Improvements;

(vi) subject to Section 2.13 hereof, all Advances previously disbursed by Lender for labor, services, and/or materials for construction of the Improvements pursuant to previous Applications for Advances have been paid to parties entitled thereto; and

(vii) a certified statement of the Borrower that all conditions precedent to an Advance have been fulfilled in all material respects, and, to the Knowledge of the Borrower, no Event of Default has occurred and is continuing and no event which with notice or lapse of time or both would reasonably be expected to constitute such an Event of Default has occurred, or if any such event or Event of Default has occurred, giving the details of such event;

(c) The representations and warranties made in this Agreement shall be true and correct, in all material respects, on and as of the date of each Advance, with the same effect as if made on that date;

(d) If required by Lender, Borrower shall, within sixty (60) days after notice of the filing of any mechanics' and materialmen's lien, encumbrance or charge upon the Property or any part thereof, which arises by reason of any labor, services or materials furnished or claimed to have been furnished to Borrower or by reason of the development, design or construction of the Improvements including, without limitation, any tests, investigations or studies ordered or conducted by Borrower (excluding, however, any liens filed as a direct result of MOB Owner's failure to perform its obligations under the terms, conditions and provisions of the Contracts), (i) cause such lien, encumbrance or charge upon the Property to be released or discharged with respect to the Property by payment or bonding, or (ii) contest such lien and provide to Lender reasonably satisfactory evidence of adequate reserves by Borrower to pay the amount contested or an indemnity bond pursuant to Section 4.22 hereof;

(e) Evidence that, during the course of construction, Borrower has obtained an endorsement to the existing Title Policy reflecting that no mechanics' or materialmen's lien has been filed against the Property (except as permitted herein), provided that copies of the bring-down endorsement furnished to Lender shall constitute satisfactory evidence;

(f) True copies of any Material Agreements with third parties relating to the management or operation of the Property, which must be approved in advance by Lender and must be subordinated, in all respects, to the Loan Documents;

(g) Lender shall have received a satisfactory report from the Inspecting Architects/Engineers that the Improvements are being constructed in accordance with the Plans and the Approved Budget; and

(h) Evidence reasonably satisfactory to Lender that all conditions to such Advance set forth in Section 6(g) of the Development Agreement have been satisfied in all material respects.

2.12 Conditions to the Final Advance. As a condition precedent to the final Advance hereunder, including all unreleased retainage, Borrower must satisfy all conditions precedent to Advances set forth in Section 2.11 above and deliver to Lender the following (the "Completion Requirements"):

(a) A Completion certificate from the Inspecting Architects/Engineers certifying that the Project is substantially complete (within the meaning of Section 5(b) of the Development Agreement);

(b) Any portion of the Project requiring inspection or certification by any governmental agency shall have been inspected and certified as complete and all other necessary approvals shall have been duly issued;

(c) Evidence that the Architect, engineer, surveyors and all contractors and subcontractors have been paid or will be paid in full, or have otherwise executed sufficient and satisfactory releases of any and all mechanics' or materialmen's lien or liens which they may have or be entitled to, or that Borrower has otherwise sufficiently provided for the satisfaction of all claims or liens by the Architect, engineer, surveyors or any contractor or subcontractor, which evidence shall include an endorsement to the Title Policy evidencing that no mechanics' and materialmen's liens or other encumbrances have been filed against the Property, except as permitted herein;

(d) Evidence that the Developer, Developer's authorized representative, Architect and Contractor have certified that (1) construction of the Improvements has been completed in accordance with the Plans, (2) all work requested for reimbursement has been completed in accordance with the Plans, (3) a notice of completion has been filed as required by any applicable laws, and (4) all applicable time periods shall have expired for the creation of any mechanics' or materialmen's lien.

(e) An "as built" ALTA survey, certified to ALTA requirements, prepared by an engineer or surveyor licensed in the State of Texas; and

(f) Evidence reasonably satisfactory to Lender that all conditions to such Advance set forth in Section 6(g) of the Development Agreement have been satisfied in all material respects.

2.13 Retainage. The amount designated as retainage under the Construction Contract shall be retained by Lender from each Application for Advance. Such retainage will be disbursed by Lender within the time period specified in the Construction Contract and the delivery to Lender of Lien waivers with respect to the Improvements applicable thereto.

2.14 Reallocation of Approved Budget. Lender reserves the right, upon Borrower's prior written consent (which consent may not be unreasonably withheld, conditioned, or delayed), to make Advances which are allocated to any of the designated items in the Approved Budget for such other purposes or in such different proportions as Lender may, in its reasonable discretion, deem necessary or advisable. With the prior written consent of Lender (which consent may not be unreasonably withheld, conditioned, or delayed), Borrower shall be entitled to make reallocations from items in the Approved Budget for which substantial completion has been achieved as determined by Lender and no further funds are required, to the extent of any amount remaining in such item.

2.15 Conditions Precedent for the Benefit of Lender. All conditions precedent to the obligation of Lender to make any Advance are imposed hereby solely for the benefit of Lender, and no other party may require satisfaction of any such condition precedent or be entitled to assume that Lender will refuse to make any Advance in the absence of strict compliance with such conditions precedent. All requirements of this Agreement may be waived by Lender, in whole or in part, at any time.

2.16 Subordination. Lender shall not be obligated to make, nor shall Borrower be entitled to, any Advance until such time as Lender shall have received, to the extent requested, by Lender, subordination agreements from Architect, Contractor, and all other persons furnishing labor, materials, or services for the design or construction of the Improvements, subordinating to the lien of the Mortgage any Lien, claim, or charge they may have against Borrower or the Property.

2.17 Interest Reserve. Borrower acknowledges and agrees that the amount of Nine Hundred Forty-One Thousand Eight Hundred Thirteen and No/100 Dollars (\$941,813.00), as specified in the Approved Budget, represents reserves for interest on the Loan (the "Interest Reserve"). So long as no Event of Default exists and no event exists which with the giving of notice or the passage of time or both would reasonably be expected to constitute an Event of Default, interest due and payable under the Note may be paid from the Interest Reserve. Borrower shall notify Lender in writing as to the amount to be disbursed from the Interest Reserve, subject to verification by Lender. Borrower hereby authorizes and directs Lender, and Lender shall have the right to, disburse and charge the Interest Reserve for interest due under the Loan on the seventeenth (17th) day of each month as interest payments become due and payable pursuant to the terms of the Loan Documents. Such disbursements shall be made by a bookkeeping entry on Lender's records and shall be reflected as additional Advances under the Loan, in amounts equal to the accrued interest due and payable on the seventeenth (17th) day of each month. Such bookkeeping entry shall be deemed to be as if Borrower had delivered a check to Lender for the amount in question. Unless otherwise directed by Lender in its sole discretion, the Interest Reserve shall be available only for disbursements of the periodic payments of accrued interest due to Lender on the Loan pursuant to the terms of this Agreement and the other Loan Documents. Any funds disbursed in the manner provided in this Section 2.17 shall have been deemed paid to and received by Borrower.

2.18 Maximum Funding Obligation. Lender shall have no obligation to make Advances in excess of amounts Borrower has properly qualified in advance to receive, and Lender shall have no obligation to make Advances in excess of Fifteen Million Three Hundred

Fifty-Six Thousand Five Hundred Seventy-Five and No/100 Dollars (\$15,356,575.00) (the "Maximum Funding Obligation").

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF BORROWER

3.1 The Financial Statements. The Financial Statements delivered by Borrower to Lender on or prior to the date hereof were prepared in accordance with generally accepted accounting principles and fairly present the financial condition and results of operations of the Borrower for the respective periods specified therein, except for the absence of footnotes and subject to normal year-end adjustments which, in the aggregate, are not material. To Borrower's Knowledge, no material adverse change has occurred in the financial condition of Borrower since the period ending as of the last Financial Statement delivered by Borrower to Lender.

3.2 Suits, Actions, Etc. There are no actions, suits, or proceedings pending or, to Borrower's Knowledge, threatened in any court or before or by any Governmental Authority affecting Borrower or the Property, or involving the validity or enforceability of any of the Loan Documents, at law or in equity. The consummation of the transactions contemplated hereby, and the performance of any of the terms and conditions hereof and of the other Loan Documents, will not result in a material breach of, or constitute a material default in, any mortgage, deed of trust, deed to secure debt, lease, promissory note, loan agreement, credit agreement, partnership agreement, or other agreement to which Borrower is a party or by which Borrower may be bound or affected.

3.3 Valid and Binding Obligation. All of the Loan Documents, and all other documents referred to herein to which Borrower is a party, upon execution and delivery will constitute valid and binding obligations of Borrower, enforceable against the Borrower in accordance with their terms except as limited by Debtor Relief Laws.

3.4 Title to the Property. Borrower holds good and marketable title to the Property subject only to title exceptions set forth in the Title Policy.

3.5 No Default. Borrower is not in default in the payment of the principal of, or interest on, any material indebtedness for borrowed money, nor is Borrower in default under any instrument or agreement under or subject to which any material indebtedness for borrowed money has been issued, and no event has occurred under the provisions of any such instrument which, with or without the lapse of time or the giving of notice or both, constitutes or would reasonably be expected to constitute an event of default of Borrower thereunder.

3.6 Approval and Consent. No approval, authorization, or consent of any Tribunal or Governmental Authority that has not yet been received, is required for the proper execution, delivery, and performance of this Agreement or the other Loan Documents.

3.7 Cost Certification. To Borrower's Knowledge, the Approved Budget contains, in all material respects, true and accurate cost estimates for each line item contained therein, based upon the most complete and up-to-date information available to Borrower on the date of this Agreement, all as more particularly described on Exhibit B attached hereto.

3.8 Taxes. All federal, state, foreign, and other tax returns of Borrower required to be filed have been filed, and no deficiency, claim, controversy or dispute exists with respect to any federal, state, foreign, and other taxes imposed upon Borrower, except for any such taxes as are being contested in good faith by Borrower through appropriate proceedings.

3.9 Purpose of Loan. To Borrower's Knowledge, none of the proceeds of the Advances will be used for any purpose that is contrary to, or that would result in a material violation of, any Laws.

3.10 Properties; Liens. Subject to the exceptions set forth in the Title Policy, Borrower has good and marketable title to any properties listed as assets on Borrower's Financial Statements, and except for such exceptions and those Liens subsequently approved by Lender in writing, there is no Lien on any asset of Borrower.

3.11 Damage; Condemnation. No material casualty or damage has occurred to the Property, any portion thereof, any improvements thereon or any appurtenances thereto. Borrower has not received notice with respect to (and Borrower has no Knowledge of) any actual or threatened taking of the Property or any portion thereof, for any public or quasi-public purpose by the exercise of the right of condemnation or eminent domain.

3.12 General. No representation, warranty or covenant by Borrower in this Agreement (including the Exhibits and Schedules attached hereto), any Loan Document, or other document or certificate furnished by Borrower in connection with the transactions contemplated by this Agreement (including the Financial Statements) contains any untrue statement of a material fact or omits to state any material fact required to be stated herein or therein in order to make the statements herein or therein, in light of the circumstances in which made, not misleading.

3.13 Material Agreements. Except for the Material Agreements delivered to Lender, prior to the date of this Agreement, Borrower is not directly, indirectly, or contingently obligated with respect to any Material Agreements relating to the Property. This warranty is only made as of the date hereof, but shall be actionable by Lender if it is subsequently determined that such representation and warranty was false when made.

3.14 Property Compliance. The Property complies, in all material respects, with all applicable subdivision, platting, building, land use, safety and zoning Laws and requirements and all requirements contained within any of the title exceptions included in the Title Policy.

3.15 Roads. The Property has access to and from public streets and roads adequate for its intended use, subject to temporary closing for construction purposes; all such streets and roads have been completed, dedicated to the public use and accepted for all purposes (including, but not limited to, maintenance) by the appropriate Governmental Authority.

3.16 Utility Services. All utility services, in sufficient size and capacity, necessary for the construction of the Improvements and the operation thereof for the intended use of the Property are or will be upon completion of construction available at the boundaries of the

Property, consisting of water supply, storm and sanitary sewer facilities, electric, gas, and telephone facilities.

3.17 Permits. Borrower has secured all necessary building and other permits and consents (such permits and consents to be unconditional) for the construction of the Project and operation thereof, except for the Certificate of Occupancy and any other permits or consents not available until completion of the Improvements.

3.18 Hazardous Materials. Except as reflected on any Phase I or other environmental report or survey respecting the Property delivered to Lender, to Borrower's Knowledge, no portion of the Property has been used to generate, store or dispose of, on, under or about the Property, or transport to or from the Property, any hazardous wastes, toxic substances or related materials ("Hazardous Materials"). For purposes of this Section 3.18, Hazardous Materials shall include, but not be limited to, substances defined as "Hazardous Substances" or "Toxic Substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9061, et seq.; and in the regulations adopted and publications promulgated pursuant to such statute now or in the future.

ARTICLE IV.
COVENANTS AND AGREEMENTS OF BORROWER

4.1 Compliance with Governmental Requirements. Borrower shall timely comply, in all material respects, with all Governmental Requirements. Borrower assumes full responsibility for the compliance of the Plans and the Property with all Governmental Requirements and requirements of the Leases and with sound building and engineering practices and, notwithstanding any approvals by Lender, Lender shall have no obligation or responsibility whatsoever for the Plans or any other matter incident to the Property or the construction of the Improvements.

4.2 The Construction Contract. Borrower shall become a party to no Material Agreement or Major Contract (other than Approved Contracts) for the performance of any work on the Property or for the supplying of any labor, materials, or services for the construction of the Improvements except upon such terms and with such parties as shall be approved in writing by Lender, such approval not to be unreasonably withheld, conditioned or delayed. Borrower shall neither request nor approve any change orders under the Construction Contract without the prior written approval of Lender, such approval not be unreasonably withheld, conditioned, or delayed, except for non-structural changes which do not change the cost of construction by more than One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) as to any one change or Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate. No approval of Lender of any Construction Contract or change order shall make Lender responsible for the adequacy, form, or content of such Construction Contracts or change orders.

4.3 Construction of the Improvements. The construction of the Improvements shall be prosecuted with diligence and continuity, in a good and workmanlike manner, and in accordance with sound building and engineering practices, all applicable Governmental Requirements, the Plans, the Development Agreement, and the Construction Contract. Any

cessation of work shall be permitted by Borrower only in accordance with the terms and conditions set forth in the Development Agreement and the Construction Contract, as applicable.

4.4 Correction of Defects. Borrower shall correct or cause to be corrected within thirty (30) days after receipt of written notice from Lender (a) any material defect in the Improvements, (b) any material departure in the construction of the Improvements from the Plans or Governmental Requirements, or (c) any material encroachment by any part of the Improvements or any other structure located on the Property, on any building line, easement, property line, or restricted area.

4.5 Storage of Materials. Borrower shall cause all materials supplied for, or intended to be utilized in, the construction of the Improvements, but not affixed to or incorporated into the Improvements or the Property, to be stored in accordance with the terms and conditions of the Development Agreement.

4.6 Inspection of the Property. Borrower shall permit Lender and any Governmental Authority, and their agents and representatives, to enter upon the Property and any location where materials intended to be utilized in the construction of the Improvements are stored for the purpose of inspection of the Property and such materials at all reasonable times during normal business hours, following reasonable notice to Borrower and so long as such inspections do not materially interfere with the construction of the Improvements.

4.7 Notices by Governmental Authority, Fire and Casualty Losses, Etc. Borrower shall timely comply with and promptly furnish to Lender following receipt thereof, true and complete copies of any official notice or claim by any Governmental Authority pertaining to the Property. Borrower shall immediately notify Lender of any fire or other material casualty or any notice of taking or eminent domain action or proceeding affecting the Property.

4.8 Special Account. Borrower shall maintain a special account at a bank or other financial institution selected by Borrower, reasonably satisfactory to Lender, into which all Advances and any other amounts or payments arising in connection with the ownership of the Property, excluding direct disbursements made by Lender pursuant to Section 2.8 hereof, shall be deposited by Borrower, and against which checks shall be drawn only for the payment of (a) costs of labor, materials, and services supplied for the construction of the Improvements specified in the Approved Budget, and (b) other costs and expenses incident to the Loan, the Property, and the construction of the Improvements specified in the Approved Budget. Borrower shall furnish Lender with monthly bank statements, as they are received by Borrower, showing all deposits to and withdrawals from said special account for Lender's verification of compliance with this Loan Agreement.

4.9 Costs and Expenses. Borrower shall promptly pay Lender upon demand all reasonable costs and expenses incurred by Lender in connection with: (a) the preparation of this Agreement and all other Loan Documents and the closing of the Loan and any amendment, supplement, or modification of, or any waiver or consent under or with respect to, any of the Loan Documents; and (b) the enforcement or satisfaction by Lender of any of Borrower's obligations under this Agreement or the other Loan Documents. For all purposes of this Agreement, Lender's costs and expenses shall include, without limitation, all reasonable

appraisal fees, cost engineering and inspection fees, legal fees, environmental consultant fees and the cost to Lender of any title insurance premiums and title surveys (including, without limitation, the costs and expenses of the inspection of the Property and/or Project by the Inspecting Architects/Engineers). Borrower recognizes and agrees that formal written appraisals of the Property and Improvements by a licensed independent appraiser may be required upon completion of the Improvements and pursuant to federal regulatory reporting requirements and that Lender may require reasonable inspections of the Property and Improvements by an independent supervising architect and/or cost engineering specialist following reasonable advance written notice to Borrower. If any of the services described above are provided by an employee of Lender, Lender's reasonable cost and expenses for such services shall be calculated in accordance with Lender's standard charge for such services.

4.10 Additional Documents. Borrower shall execute and deliver to Lender, from time to time as reasonably requested by Lender, such other documents as shall be reasonably necessary to provide the rights and remedies to Lender granted or provided for by the Loan Documents.

4.11 Inspection of Books and Records. Borrower shall permit Lender, at all reasonable times during normal business hours and following reasonable notice to Borrower, to examine and copy the books and records of Borrower pertaining to the Loan and the Property, and all contracts, statements, invoices, bills, and claims for labor, materials, and services supplied for the construction of the Improvements.

4.12 No Liability of Lender. Lender shall have no liability, obligation, or responsibility whatsoever with respect to the construction of the Improvements. Lender shall not be obligated to inspect the Property or the construction of the Improvements, nor be liable for the performance or default of Borrower, Architect, or any other party, or for any failure to construct, complete, protect, or insure the Improvements, or for the payment of costs of labor, materials, or services supplied for the construction of the Improvements, or for the performance of any obligation of Borrower whatsoever. Nothing, including without limitation any Advance or acceptance of any document or instrument, shall be construed as a representation or warranty, express or implied, to any party by Lender.

4.13 Insurance. Borrower shall (a) maintain in full force, until full payment of the Loan, such insurance coverages on the Property as are described on the attached Schedule 4.13, (b) maintain such coverages through the applicable insurance carriers for the respective coverages listed on Schedule 4.13, and (c) name the Lender as an additional insured and provide at least thirty (30) days prior written notice to Lender of cancellation, non-renewal or material change of the insurance policies maintained by the Borrower pursuant hereto.

4.14 No Conditional Sale Contracts, Etc. Except as set forth in the attached Schedule 4.14, no materials, equipment, or fixtures shall be supplied, purchased, or installed for the construction of the Improvements pursuant to security agreements, conditional sale contracts, lease agreements, or other arrangements or understandings whereby a security interest or title is retained by any party or the right is reserved or accrues to any party to remove or repossess any materials, equipment, or fixtures intended to be utilized in the construction or operation of the Improvements.

4.15 [Intentionally Omitted]

4.16 Bills of Sale. Borrower shall deliver to Lender, promptly following Lender's written demand therefor, any contracts, bills of sale, statements, or agreements under which Borrower claims title to any materials, fixtures or articles incorporated in the Improvements or subject to the Lien or security title of the Loan Documents.

4.17 Leases. Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed), enter into any new Leases after the effective date of this Agreement. Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed), enter into any modification, amendment or termination of the MOB Lease. Borrower shall not accept any rental from the MOB Tenant more than one (1) month in advance of its due date. Borrower shall materially perform and comply with all of the landlord's obligations under the MOB Lease. Borrower shall not release the MOB Tenant from any material obligations or liabilities under the MOB Lease without the prior written consent of Lender. Borrower shall promptly notify Lender of the occurrence of any events of default under the MOB Lease (subject to all notice, grace and cure periods) of which Borrower has Knowledge, and shall promptly after receipt thereof provide to Lender any notices in writing from the MOB Tenant alleging that Borrower is in default under the MOB Lease.

4.18 Additional Security. As additional security for the payment of the Loan, Borrower hereby irrevocably assigns to Lender and grants to Lender a security interest in all Advances disbursed to Borrower and Borrower's interest in all Loan funds held by Lender, whether or not disbursed.

4.19 Prohibition on Transfers. Except for the interest, rights and options granted pursuant to the MOB Lease and except as permitted in Section 8.15 of the Mortgage, Borrower shall not, without the prior written consent of Lender, transfer, convey, assign, encumber or otherwise dispose of the Property or the Improvements or any part thereof or any interest of Borrower therein to any individual, partnership, joint venture, trust, association, corporation or other legal entity, however organized, so long as any part of the indebtedness secured by the Mortgage is outstanding. Additionally, without the prior written consent of Lender, except as permitted in Section 3.9 of the Mortgage, no person having a controlling interest in any of the General Partners shall transfer, convey, assign, encumber or otherwise dispose of his/her interest in such General Partner so long as any part of the indebtedness secured by the Mortgage is outstanding.

4.20 No Assignment by Borrower. This Agreement may not be assigned by Borrower without the written consent of Lender, which consent may not be unreasonably withheld, conditioned, or delayed. If Lender approves an assignment hereof by Borrower, Lender shall be entitled to make Advances to such assignee and such Advances shall be secured by the Loan Documents. Borrower shall remain liable for payment of all sums advanced hereunder before and after such assignment unless otherwise approved in writing by Lender.

4.21 Further Assurance of Title. If at any time Lender's legal counsel is of the reasonable opinion that any Advance is not secured or will not be secured by the Loan Documents as a first Lien or first priority security interest on the Property, subject only to the matters in the Title Policy, then Borrower shall, within ten (10) days after written notice of such opinion from Lender, do all things and matters reasonably necessary to assure to the reasonable satisfaction of Lender's counsel that any advance previously made hereunder or to be made hereunder is secured or will be secured by the Loan Documents as a first Lien or first priority security interest on the Property, subject to the matters in such title insurance policy, and Lender, at its option, may decline to make further Advances hereunder until Lender has received such assurance, but nothing in this Section shall limit Lender's right to require endorsements extending the effective date of such policy prior to an Advance under each Application for Advance.

4.22 Payment of Claims. Borrower shall promptly pay or cause to be paid when due all costs and expenses incurred in connection with the Property and the construction of the Improvements, and Borrower shall keep the Property free and clear of any Liens, charges, or claims other than Liens reflected in the Title Policy, and such other Liens approved in writing by Lender. Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, Borrower (a) may contest the validity or amount of any claim of any contractor, consultant, architect, or other person providing labor, materials, or services with respect to the Property, (b) may contest any tax or special assessments levied by any Governmental Authority, and (c) may contest the enforcement of or compliance with any Governmental Requirements, and such contest on the part of Borrower shall not be deemed a violation of any representation or covenant hereunder or the occurrence of an Event of Default hereunder and shall not release Lender from its obligations to make Advances hereunder; provided, however, that during the pendency of any such contest, Borrower shall furnish to Lender and Title Company either (x) reasonably satisfactory evidence that Borrower has adequate reserves to pay the amount being contested, or (y) an indemnity bond with corporate surety satisfactory to Lender and Title Company or other security acceptable to them in an amount equal to one hundred percent (100%) of the amount being contested, and provided further that Borrower shall pay any amount adjudged by a court of competent jurisdiction to be due, with all costs, interest, and penalties thereon, before such judgment becomes a Lien on the Property.

4.23 Restrictions and Annexation. Except as reflected in the Title Policy and except as may be required by the MOB Lease, Borrower shall not impose any restrictive covenants, easements, sharing agreements or encumbrances upon the Property, execute or file any subdivision plat affecting the Property, or consent to any assessments burdening the Property without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed).

4.24 Advertising by Lender. Borrower agrees that during the term of the Loan, Lender shall have the right to issue press releases, advertisements and other promotional materials approved, in writing, by Borrower and describing in general terms or in detail Lender's participation in such transaction including the placement of a sign approved by Borrower for display upon the Property identifying Lender. Any such sign shall be provided at the expense of Lender; provided, however, that if Lender provides a sign to Borrower, then Borrower agrees to

erect such sign in a prominent and suitable location for display for the duration of the construction of the Improvements.

4.25 Financial Statements: Tax Returns. Within forty-five (45) days after the end of each fiscal quarter of Borrower's operation of the Property, Borrower shall furnish to Lender current (as of such fiscal quarter) operating statements and rent rolls for the Property in scope and detail satisfactory to Lender and certified by Borrower to be complete and accurate in all material respects. Within ninety (90) days after the end of each fiscal year of Borrower's operation of the Property, Borrower shall furnish to Lender current (as of such fiscal year) Financial Statements, operating statements and rent roll for the Property in scope, detail and form reasonably satisfactory to Lender and certified by Borrower to be complete and accurate in all material respects and, the Financial Statements, if required by Lender, shall be certified by an independent certified public accountant selected by Borrower which is satisfactory to Lender. All Financial Statements of Borrower shall be delivered in duplicate and shall be accompanied by the certificate of the General Partner of Borrower, dated within five (5) days of the delivery of such statements to Lender, stating that the General Partner has no Knowledge of an Event of Default, nor of any event which, after notice or lapse of time, or both, would reasonably be expected to constitute an Event of Default, which has occurred and is continuing, and if an Event of Default has occurred, or such an event which would reasonably be expected to constitute an Event of Default has occurred, specifying the nature and period of existence thereof and what action Borrower has taken or proposes to take with respect thereto, and, except as otherwise specified, stating that Borrower has fulfilled, in all material respects, all of Borrower's obligations under this Agreement which are required to be fulfilled on or prior to the date of such certificate. Borrower shall deliver to Lender, as soon as available, but in no event later than fifteen (15) days after the timely filing thereof with the Internal Revenue Service including any permitted and valid extensions of any filing deadlines, a copy of Borrower's annual tax return for the preceding calendar year.

4.26 Notification of Adverse Changes. Upon Borrower's Knowledge, Borrower shall promptly notify Lender of the occurrence of any event or condition which, if not remedied, would reasonably be expected to result in a material, adverse change to the financial condition of Borrower or would reasonably be expected to materially and adversely affect the value of the Property.

4.27 Indemnification. Borrower agrees to indemnify, defend and hold Lender harmless from and against any and all claims, charges, actions, suits, proceedings, lawsuits, obligations, liabilities, fines, penalties, costs and expenses, including, but not limited to, reasonable attorneys' fees incurred by Lender, alleged by or in favor of Borrower or any principal, partner, stockholder, officer, director, employee or agent thereof, or by or in favor of any broker, realtor, agent or other party claiming brokerage commissions or finder's fees in connection with entering into this Agreement or the transactions contemplated hereby (other than for claims for commissions or fees claimed by persons or parties employed or engaged by Lender), or in connection with making or collecting the Loan or enforcing the Loan Documents, but excluding claims relating to or arising out of the Lender's gross negligence, willful misconduct, or breach of its obligations in the Loan Documents. Borrower shall further indemnify Lender and hold Lender harmless against any and all liabilities (including any and all taxes and special assessments levied against the Property or any improvements, fixtures, or personal property

located thereon), obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses, and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Lender, in any way relating to, or arising out of, the Loan Documents or any of the transactions contemplated therein, or the construction and/or operation of the Property (except claims relating to or arising out of the Lender's gross negligence, willful misconduct, or breach of its obligations in the Loan Documents), to the extent that any such indemnified liabilities result, directly or indirectly, from any claims made or actions, suits, or proceedings commenced by or on behalf of any person or entity other than Lender. The obligations and provisions of this paragraph shall continue and remain in full force and effect after the Loan and other obligations of Borrower under this Agreement and under the other Loan Documents have been paid or discharged in full and shall survive the termination of this Agreement and the repayment of the Loan.

4.28 Termination. Lender, at its option, may terminate this Agreement and its obligation to make any Advance upon the occurrence and continuation of any Event of Default.

4.29 Third-Party Agreements: Management Fee. Except for the MOB Lease and as contemplated therein, Borrower shall not execute or enter into any agreement with any third party providing for management or operation of the Property and/or the Improvements without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed). Lender acknowledges that the MOB Tenant has entered into subleases relating to the Property and the Improvements, and that copies of such subleases have been delivered to the Lender prior to the date hereof. Lender further acknowledges that the MOB Tenant has entered into a Management Agreement, dated May 16, 2003, with West Houston G.P. Management, LLC, relating to the management of the Improvements, a copy of which has been delivered to the Lender prior to the date hereof.

4.30 Development Agreement. Borrower will not amend or modify the Development Agreement without the prior written consent of Lender.

4.31 Debt Service Requirement. From and after June 17, 2006, and until the Loan is paid in full by Borrower, Borrower shall not allow the Net Operating Income of the Project for any calendar quarter to be less than 1.25 times the principal and interest payments then due and payable by Borrower under the Note for the respective designated period in question. In the event that the Net Operating Income falls below such minimum debt service requirement, Borrower shall promptly within ten (10) days of its Knowledge of such non-compliance prepay a portion of the principal balance of the Note so that the debt service requirement is satisfied and maintained.

4.32 Maintenance of Bonds. At all times prior to the Completion Date, Borrower shall cause the Bonds to be maintained and in full force and effect.

ARTICLE V.
EVENTS OF DEFAULT

5.1 Default. Any one or more of the following events shall constitute an "Event of Default" hereunder and under the Loan Documents:

(a) The failure or refusal of Borrower to pay all or any part of the monthly installments of accrued interest or monthly installments of principal and accrued interest of the Note as and when the same become due and payable in accordance with the terms of the Note, and the continuation of such failure or refusal for a period of ten (10) days after the due date thereof or the failure or refusal to pay the unpaid principal balance and accrued but unpaid interest on the Maturity Date (as defined in the Note);

(b) The failure or refusal of Borrower to pay any amounts due and owing to Lender under the Loan Documents (other than the payment of principal or installments of accrued interest under the Note) as the same become due in accordance with the terms of the Loan Documents and the continuation of such failure or refusal for a period of thirty (30) days following written notice thereof from Lender to Borrower;

(c) The failure or refusal of Borrower punctually and properly to perform, observe and comply, in all material respects, with any covenant, agreement or condition (other than covenants or agreements to pay the indebtedness described in subparagraphs (a) and (b) above) contained in any of the Loan Documents, and the continuation of such failure or refusal for a period of thirty (30) days following written notice thereof from Lender to Borrower or for such additional reasonable period, not to exceed ninety (90) days, as shall be necessary to cure such failure or refusal if not capable of cure within such thirty (30) day period and if Borrower diligently pursues such cure during such thirty (30) day period and thereafter;

(d) The occurrence of an "Event of Default" under and as defined in the Mortgage, and the continuation thereof beyond the expiration of all applicable notice, grace, or cure periods;

(e) A failure by Borrower to deposit Borrower's Deposit with Lender within thirty (30) days of written request from Lender to do so;

(f) Any representation or warranty made by Borrower to Lender in any of the Loan Documents or any Application for Advance or in any other certificate or document furnished to Lender in connection with the Loan or in furtherance of the requirements of this Agreement or of any other Loan Documents shall be incorrect or misleading in any material respect at the time when made or at the time when reaffirmed or deemed reaffirmed by the terms of this Agreement relating to conditions precedent to Lender's obligation to make Advances;

(g) The Improvements are not in substantial Completion by March 31, 2006;

(h) If a Lien (other than an inchoate Lien for taxes) for the performance of work or the supply of materials or any other Lien, whether for federal, state or local taxes or otherwise is filed against the Property or any part thereof and remains unsatisfied or unbonded and evidence of adequate reserves for payment thereof by Borrower is not provided to Lender as set forth in Section 4.22 hereof and for a period of thirty (30) days after Borrower knows of the filing of such Lien;

(i) If a receiver, liquidator or trustee of Borrower, Guarantor, the MOB Tenant or of the Property or of any substantial portion of Borrower's or Guarantor's properties, shall be appointed; if a petition in bankruptcy or for reorganization or for protection under any Debtor Relief Laws shall have been filed against Borrower or Guarantor and the same is not withdrawn, dismissed, cancelled or terminated within ninety (90) days; if Borrower or Guarantor make a general assignment for the benefit of creditors or files or consent to the filing of a petition in bankruptcy or for protection under any Debtor Relief Laws or commence or consent to the commencement of any proceeding under the Federal Bankruptcy Code or any other federal or state law, now or hereafter in effect, relating to the reorganization of Borrower or Guarantor or the arrangement or rearrangement or readjustment of the debts of Borrower or Guarantor or having the effect of enjoining or staying the exercise of rights or remedies by creditors, it being understood that the filing against Borrower or Guarantor of such a petition by a partner, officer or stockholder of Borrower shall be deemed to be a filing with the consent of Borrower; if there is an attachment or sequestration of or relating to the Property or to any other substantial portion of any other assets of Borrower or Guarantor and the same is not promptly discharged;

(j) If Borrower shall cause, institute or fail to contest any proceeding for the dissolution or termination of Borrower;

(k) If Borrower ceases to do business or terminates its business as presently conducted for any reason whatsoever;

(l) If any condemnation, eminent domain or other taking proceedings shall have commenced against the Property (or any material portion thereof) which Lender, in its reasonable judgment, believes will materially and adversely affect the value of the Property;

(m) If any event of default shall occur under any of the Loan Documents (as such term may be defined therein), and such event of default shall continue beyond all applicable notice, grace, and cure periods; or

(n) Any representation or warranty made by Guarantor under the Guaranty is incorrect in any material respect or Guarantor is in default of any of Guarantor's non-monetary obligations to Lender under the Guaranty, and Guarantor shall fail to cure such non-monetary default within thirty (30) days following written notice thereof from Lender to Guarantor.

ARTICLE VI.
RIGHTS AND REMEDIES OF LENDER

6.1 Rights of Lender. Upon the occurrence of any one or more Events of Default, Lender shall have the right, in addition to any other right or remedy of Lender under the Loan Documents or at equity or under applicable law, but not the obligation, in its own name or through an agent or in the name of Borrower, to enter into possession of the Property; to perform

all work necessary to complete the construction and equipping of the Improvements substantially in accordance with the Plans, Governmental Requirements, and the requirements of any tenant lease approved by Lender; and to do anything necessary or desirable in Lender's sole judgment to fulfill the obligations of Borrower hereunder and under the other Loan Documents, including the right to avail itself of, and procure performance of the Construction Contract and subcontract or to let new or additional contracts with a new general contractor or the same subcontractors or to others; and to employ watchmen and other safeguards to protect the Property. Without restricting the generality of the foregoing, and for the purposes aforesaid, Borrower hereby appoints Lender as the attorney-in-fact of Borrower, with full power of substitution, and in the name of Borrower, if Lender elects to do so, upon the occurrence and continuation beyond any applicable notice, grace, or cure period of an Event of Default, to (a) use such sums as are necessary, including any proceeds of the Loan and the Borrower's Deposit, to make such changes or corrections in the Plans, and employ such architects, engineers, inspectors, rental agents, managers and contractors as may be reasonably required for the purpose of completing the construction of the Improvements substantially in the manner contemplated by the Plans, and Governmental Requirements, (b) execute all applications and certificates in the name of Borrower which may be required for completion of construction of the Improvements, (c) endorse the name of Borrower on any checks or drafts representing proceeds of the insurance policies, or other checks or installments payable to Borrower with respect to the Property, (d) do every act with respect to the construction of the Improvements which Borrower may do, (e) prosecute or defend any action or proceeding incident to the Property, (f) to do all things reasonably necessary in Lender's reasonable judgment, to complete construction, finishing and equipping of the Improvements and to rent, operate and manage the Improvements, and to pay operating costs and expenses, including management fees, of every kind and nature in connection therewith so that the same shall be operational and usable for its intended purpose, all in the name of Borrower, Lender or both; (g) pay interest when due on all amounts disbursed hereunder (either by adding such interest to the principal balance of the Loan or paying the same in cash); (h) pay, settle or compromise all existing bills and claims which may be or become Liens or security interests, or to avoid such bills and claims becoming Liens against the Property or against fixtures or equipment, or as may be necessary or desirable for the completion of construction or for the equipping and operation of the Improvements; (i) prosecute and defend all actions or proceedings in connection with the Property or any equipment or fixtures; (j) the right, to be exercised in Lender's sole discretion, to terminate any remaining obligations under this Agreement; and (k) apply for and obtain, by appropriate judicial action, appointment of a receiver or receivers for all or any part of the Property as a matter of right, without regard to the sufficiency of the security, without any showing of insolvency, fraud or mismanagement on the part of Borrower and without the necessity of filing judicial proceedings (other than for the appointment of the receiver(s)) to protect or enforce the rights of Lender (and Borrower hereby consents to such appointment). The power-of-attorney granted hereby is a power coupled with an interest and is irrevocable. Lender shall have no obligation to undertake any of the foregoing actions, and if Lender should do so, it shall have no liability to Borrower for the sufficiency or adequacy of any such actions taken by Lender. All reasonable cost and expenses, including all reasonable attorneys' fees in connection with the matters contemplated in this Section 6.1 shall be payable by Borrower on demand, and if not promptly paid, shall be added to the principal of the Loan and shall be secured by all of the Loan Documents. The power-of-attorney granted hereby is a power coupled with an interest and irrevocable by action of Borrower without the joinder of Lender. Lender shall have no obligation to undertake any of the foregoing actions,

and if Lender should do so, it shall have no liability to Borrower for the sufficiency or adequacy of any such actions taken by Lender.

6.2 Acceleration. Upon the occurrence of an Event of Default, Lender may, at its option, declare the Loan immediately due and payable upon written notice to Borrower, and Borrower hereby expressly waives, but not by way of limitation, any other notice of default, notice of intent to accelerate and notice of acceleration.

6.3 Cessation of Advances. Upon the occurrence of an Event of Default, the obligation of Lender to make any Advance and to make disbursements from the Borrower's Deposit and all other obligations of Lender hereunder and under the Loan Documents shall at Lender's option, immediately terminate; provided, however, that nothing in this paragraph shall be deemed to limit the other provisions of this Agreement setting forth the conditions precedent to Lender's obligation to make any Advance or the conditions under which Lender may refuse to make further disbursements or to limit Lender's option to make further Advances at Lender's sole option notwithstanding the occurrence of one or more Events of Default.

6.4 Funds of Lender. Any funds of Lender used for any purpose referred to in this Article VI shall constitute Advances secured by the Loan Documents and shall bear interest at the Default Rate specified in the Note.

6.5 No Waiver or Exhaustion. No waiver by Lender of any of its rights or remedies hereunder, in the other Loan Documents, or otherwise, shall be considered a waiver of any other or subsequent right or remedy of Lender; no delay or omission in the exercise or enforcement by Lender of any rights or remedies shall ever be construed as a waiver of any right or remedy of Lender; and, no exercise or enforcement of any such rights or remedies shall ever be held to exhaust any right or remedy of Lender.

6.6 Performance by Lender. Should any covenant, duty, or agreement of Borrower fail to be performed during the continuation of an Event of Default in accordance with the terms of the Loan Documents, Lender may, at its option, perform, or attempt to perform, such covenant, duty, or agreement on behalf of Borrower. In such event, Borrower shall, at the request of Lender and promptly pay to Lender any amount reasonably expended by Lender in such performance or attempted performance, together with interest thereon at the Default Rate from the date of such expenditure by Lender until paid. Notwithstanding the foregoing, it is expressly understood that Lender does not assume and shall never have, except by express written consent of Lender, any liability or responsibility for the performance of any duties of Borrower hereunder or in connection with all or any part of the Property.

6.7 Use or Operation by Lender. Should all or any part of the Property come into the possession of Lender, Lender may use or operate the same for the purpose of preserving it or its value, or pursuant to the order of a court of appropriate jurisdiction, or in accordance with any other rights held by Lender in respect thereof. The risk of accidental loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for failure to obtain or maintain insurance, or to determine whether any insurance ever in force is adequate as to amounts or as to the risks insured, or for decline in the value of the Property.

6.8 Cumulative Rights. All rights available to Lender under the Loan Documents shall be cumulative of and in addition to all other rights granted to Lender at law or in equity, whether or not any sums be due and payable to Lender and whether or not Lender shall have instituted any suit for collection, foreclosure, or other action in connection with the Loan Documents.

6.9 Acceptance of Assignments and Items Delivered. By acceptance of delivery of copies of, or by taking an assignment of or security interest in, any of the items delivered to or received by Lender pursuant to this Agreement, including, but not limited to, the Plans, Approved Budget, and the Material Agreements, Lender shall not be deemed to have approved same or to have assumed any liability, obligation, or responsibility whatsoever in connection therewith except as expressly stated in the Loan Documents.

6.10 Delegation of Duties and Rights. Lender may exercise any of its duties and/or exercise any of its rights under the Loan Documents by or through its officers, directors, employees, attorneys, agents, or other representatives.

6.11 Lender Not in Control. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Lender the right or power to exercise control over the affairs of Borrower, the power of Lender being limited to the right to exercise the remedies provided in this Article VI and elsewhere in the Loan Documents.

ARTICLE VII.
GENERAL TERMS AND CONDITIONS

7.1 Modifications. No provision of this Agreement or the other Loan Documents may be modified, waived, or terminated except by instrument in writing executed by the party against whom a modification, waiver or termination is sought to be enforced.

7.2 Severability. In case any of the provisions of this Agreement shall for any reason be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforciability 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; provided, however, if the disregard of such provision would frustrate the intent and purposes of this Agreement. Lender may petition any court having jurisdiction in equity to render a judgment modifying the disregarded provision(s) of this Agreement so as to carry out such intent and purposes.

7.3 Election of Remedies. Lender shall have all of the rights and remedies granted in the Loan Documents in addition to such rights and remedies that may be available to Lender at law or in equity, and these same rights and remedies shall be cumulative and may be pursued separately, successively, or concurrently against Borrower or any property covered under the Loan Documents at the sole discretion of Lender. The exercise or failure to exercise any of the same shall not constitute a waiver or release thereof or of any other right or remedy, and such exercise or failure to exercise shall be nonexclusive.

7.4 Form and Substance. All documents, certificates, insurance policies, and other items required under this Agreement to be executed and/or delivered to Lender shall be in form and substance satisfactory to Lender and its legal counsel.

7.5 Savings Clause. It is the intention to the parties hereto to comply with all applicable federal and state laws relating to usury; that is, laws limiting charges for the use, detention or forbearance of money and governing contracts relating thereto; accordingly, all agreements between Borrower and Lender, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of the maturity hereof, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the performance or payment of any covenant or obligation contained herein or in any other document evidencing securing or pertaining to the Loan, exceed the Maximum Rate. If from any circumstance whatsoever fulfillment of any provision hereof or of any such other document, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Lender shall ever receive anything of value deemed interest by applicable law which would exceed the Maximum Rate, an amount equal to any excessive interest shall be applied to the reduction of the principal amount owing under the Note or on account of any other principal indebtedness of Borrower to Lender, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of such principal and such other indebtedness, such excess shall be refunded to Borrower. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of the indebtedness of Borrower to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full in such manner as permitted by law so as to avoid any portion of the interest on the Loan becoming usurious. The terms and provisions of this Section 7.5 shall control and supersede every other provision of all agreements between Borrower and Lender in the event of a conflict in such provisions.

7.6 Rights of Third Parties. All conditions of the obligations of Lender hereunder, including the obligation to make Advances, are imposed solely and exclusively for the benefit of Lender and its successors and assigns and no other person or entity shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make Advances in the absence of strict compliance with any or all thereof, and no other person or entity shall, under any circumstances, be deemed to be a beneficiary of this Agreement, any and all of the terms and conditions of which may be freely waived in whole or in part by Lender at any time if in its sole discretion it deems it desirable to do so, and Lender reserves the right to enter into modifications or amendments of this Agreement with Borrower without notification to or the consent of any other party. In particular, Lender makes no representations and assumes no obligations as to third parties concerning the quality of the construction of the Improvements by Borrower or the absence thereof of defects. In this connection Borrower agrees to and shall indemnify, defend and hold harmless Lender from and against any liabilities, claims or losses resulting from the disbursement of the proceeds of the Loan or from the condition of the Property whether related to the quality of construction or otherwise and whether arising during or after the term of the Loan. This provision shall survive

the repayment of the Loan and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.

7.7 Evidence of Satisfaction of Conditions. Any condition of this Agreement which requires the submission of evidence of the existence or non-existence of a specified fact or facts implies as a condition the existence or non-existence, as the case may be, of such fact or facts and Lender shall, at all times, be free independently to establish to its reasonable satisfaction such existence or non-existence.

7.8 [Intentionally omitted]

7.9 No Agency. Lender is not the agent or representative of Borrower, and Borrower is not the agent or representative of Lender, and nothing in this Agreement shall be construed to make Lender liable to anyone for goods delivered or services performed upon the Property or for debts or claims accruing against Borrower.

7.10 No Partnership or Joint Venture. Nothing herein nor the acts of the parties hereto shall be construed to create a partnership or joint venture between Borrower and Lender.

7.11 Number and Gender. Whenever used herein, the singular number shall include the plural and the singular, and the use of any gender shall be applicable to all genders. The duties, covenants, obligations, and warranties of Borrower in this Agreement shall be joint and several obligations of Borrower, and of each Borrower if more than one.

7.12 Conflicts. In the event of any conflict between the provisions of this Agreement and those of the Mortgage, the provisions of this Agreement shall govern.

7.13 Time of Essence. Time is of the essence in performance of this Agreement by Borrower.

7.14 Participation. Lender shall have the right, at its sole discretion, to invite participants to participate in or to purchase all or portions of the Loan.

7.15 Further Assurances. Borrower shall do, execute, acknowledge and deliver, at the sole cost and expense of Borrower, all and every such further acts, deeds, conveyances, mortgages, assignments, estoppel certificates, notices of assignment, transfers and assurances as Lender may reasonably require from time to time in order to better assure, convey, assign, transfer and confirm unto the Lender, the rights now or hereafter intended to be granted to the Lender under the Loan Documents for carrying out the intention of facilitating the performance of the terms of this Agreement.

7.16 Captions. The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

7.17 APPLICABLE LAW. THIS AGREEMENT AND THE LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF

THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS WITHIN SUCH STATE.

7.18 Notices. All notices pursuant to any provisions of this Agreement or of the other Loan Documents which require the giving of notice as a condition to creating or effectuating an obligation of Borrower to Lender or a right on the part of Lender to exercise rights or remedies against Borrower or any collateral, and any notice by Borrower to Lender to the effect that Lender has not fulfilled one or more of any obligation to Borrower under this Agreement or under any other Loan Documents, must be in writing. Such notice shall be given by messenger, telegram or mail (registered or certified, return receipt requested) effective when received by the party to whom addressed or when delivered to such address, and shall be addressed to the parties at the addresses given below. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving at least ten (10) days written notice thereof in the manner specified in this Section 7.18, Borrower or Lender shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

If to Lender: Colonial Bank, N.A.
15150 Preston Road
Dallas, Texas 75248
Attention: Denise Cansler
Facsimile No.: 469/791-4507

with a copy to: Liechty & McGinnis, P.C.
7502 Greenville Avenue, Suite 750
Dallas, Texas 75231
Attention: Kevin P. McGinnis, Esq.
Facsimile No.: 214/265-0615

If to Borrower: MPT West Houston MOB, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.
Facsimile No.: 205/969-3756

with a copy to: Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
420 20th Street North, Suite 1600
Birmingham, Alabama 35203-5202
Attention: Thomas O. Kolb, Esq.
Facsimile No.: 205/488-3721

7.19 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one agreement.

7.20 Certain Rules of Construction. No implications or inferences shall be drawn from the deletion from the terms and provisions of this Agreement of any terms or provisions contained in unexecuted drafts of this Agreement. In addition, all parties hereto acknowledge that counsel for same have participated in the preparation of this Agreement and that, therefore, in the event of any ambiguity in, or controversy with respect to the meaning of, any term or provision contained in this Agreement, no presumption shall exist against any party's interpretation of this Agreement solely by reason of such party's or its counsel's participation in the preparation of this Agreement.

7.21 WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF EITHER PARTY OR ANY EXERCISE BY ANY PARTY OF THEIR RESPECTIVE RIGHTS HEREUNDER OR IN ANY WAY RELATING TO THE LOAN OR THE MORTGAGED PROPERTY (INCLUDING ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, AND ANY CLAIM OR DEFENSE ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER IS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN.

7.22 Exhibits. The following Exhibits and Schedules are attached hereto and made a part hereof for all purposes:

Schedule 1.54	Permitted Encumbrances
Schedule 2.11 (b)	Application for Advance
Schedule 4.13	Insurance Coverage
Schedule 4.14	Conditional Sale Contracts
Exhibit A	Property Description
Exhibit B	Approved Budget

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EXECUTED AND DELIVERED on the date first above recited.

LENDER: COLONIAL BANK, N.A.

By: /s/ Denise Cansler

Denise Cansler,
Senior Vice President

BORROWER:

MPT WEST HOUSTON MOB, L.P.,
a Delaware limited partnership

By: MPT West Houston MOB, LLC,
a Delaware limited liability company,
its General Partner

By: MPT Operating Partnership, L.P.,
a Delaware limited partnership,
its Sole Member

By: /s/ R. Steven Hamner

Name: R. Steven Hamner
Title: EVP-CFO

LOAN AGREEMENT
(COMMUNITY HOSPITAL CONSTRUCTION)

THIS LOAN AGREEMENT (this "Agreement") dated effective as of December 17, 2004, is made by and between COLONIAL BANK, N.A. ("Lender") and MPT WEST HOUSTON HOSPITAL, L.P., a Delaware limited partnership ("Borrower").

ARTICLE I.
DEFINITIONS

For purposes of this Agreement, in addition to other terms defined herein, the following terms shall have the respective meanings assigned to them.

1.1 Advance. The term "Advance" shall mean a disbursement from Lender's account to or for the benefit of Borrower of any of the proceeds of the Loan and/or the Borrower's Deposit in accordance with any of the provisions of this Agreement or of any of the other Loan Documents.

1.2 Application for Advance. The term "Application for Advance" shall mean a written application on Lender's prescribed form, a copy of which is attached hereto as Schedule 2.11(b), certified by Borrower and Architect addressed to Lender specifying by name, current address, and amount all parties to whom Borrower is obligated for labor, materials, or services supplied for the construction of the Improvements and all other expenses incident to the Loan, the Property, and the construction of the Improvements, whether or not specified in the Approved Budget, requesting an Advance for the payment of such items, accompanied by such schedules, affidavits, releases, waivers, statements, invoices, bills, and other documents as Lender may reasonably request.

1.3 Approved Budget. The term "Approved Budget" shall mean that certain budget attached hereto as Exhibit B and incorporated herein by reference.

1.4 Approved Contracts. The term "Approved Contracts" shall mean the Plans, the Construction Contract, the Architect Agreement, and the Development Agreement, all of which have been approved by the Lender prior to the date hereof.

1.5 Architect. The term "Architect" shall mean Davis Stokes Collaborative, P.C., or such other substitute architect as the Borrower may retain from time to time for purposes of design services and preparing Applications for Advance.

1.6 Architect Agreement. The term "Architect Agreement" shall mean that certain AIA Document B141-1997, entitled "Standard Form of Agreement Between Owner and Architect with Standard Form of Architect's Services," dated as of August 20, 2003, by and between the Borrower and the Architect, relating to the community hospital project and the physician office suite project, a copy of which have been provided to Lender prior to the date hereof.

1.7 Architect's Consent. The term "Architect's Consent" shall mean that certain Architect's Consent to Assignment of Architect's Agreement, executed in connection herewith by Architect.

1.8 Assignment of Contracts. The term "Assignment of Contracts" shall mean the Assignment of Contract Documents dated as of the date hereof, by and between Borrower and Lender.

1.9 Assignment of Leases. The term "Assignment of Leases" shall mean the Assignment of Rents and Leases dated as of the date hereof, by and between Borrower and the Lender.

1.10 Bonds. The term "Bonds" shall mean the Payment Bond and the Performance Bond, collectively, in form and substance reasonably satisfactory to Lender, with a surety company reasonably acceptable to Lender and licensed to do business in the State of Texas, as surety, and with Borrower and Lender as joint and several obligees.

1.11 Code. The term "Code" shall mean the Uniform Commercial Code of the State of Texas.

1.12 Completion Date. The term "Completion Date" shall mean the date of completion of the Improvements as set forth in the Development Agreement.

1.13 Construction Contract. The term "Construction Contract" shall mean that certain AIA Document A111-1997 "Standard Form of Agreement Between Owner and Contractor," dated as of July 14, 2004, by and between the Borrower and the Contractor, a copy of which has been provided to Lender prior to the date hereof.

1.14 Contractor. The term "Contractor" shall mean Dunn Southeast, Inc., d/b/a R.J. Griffin & Company, or such other substitute contractor as the Borrower may retain from time to time to perform labor and other services and provide materials for the construction of the Improvements.

1.15 Contractor's Consent. The term "Contractor's Consent" shall mean that certain Contractor's Consent to Assignment of Construction Contract executed in connection herewith by the Contractor.

1.16 Debtor Relief Laws. The term "Debtor Relief Laws" shall mean any applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, reorganization, or similar laws affecting the rights or remedies of creditors generally, as in effect from time to time.

1.17 Development Agreement. The term "Development Agreement" shall mean that certain Development Agreement [Hospital], dated June 17, 2004, by and among the GP Medical

Ventures, LLC, a Tennessee limited liability company and Borrower, true, correct and complete copies of which have been provided to the Lender prior to the date hereof.

1.18 Environmental Indemnity Agreement. The term "Environmental Indemnity Agreement" shall mean that certain Hazardous Materials Indemnity Agreement dated of even date herewith, executed by Borrower.

1.19 Financial Statements. The term "Financial Statements" shall mean (a) the balance sheet and statement of income and retained earnings and cash flows of the Borrower for the fiscal year ended December 31, 2003, (b) all unaudited balance sheets and statements of income and retained earnings and cash flows of the Borrower for the period beginning January 1, 2004 and ending on October 31, 2004, and (c) all future balance sheets and statements of income and retained earnings and cash flows of the Borrower required to be furnished to Lender under the terms of this Agreement or any other of the Loan Documents from time to time.

1.20 Financing Statements. The term "Financing Statements" shall mean the Form UCC-1 or other Code financing statements perfecting the security interest securing the Loan, to be filed with the appropriate offices for the perfection of a security interest in any of the Property.

1.21 General Partner. The term "General Partner" shall mean MPT West Houston Hospital, LLC, a Delaware limited liability company.

1.22 Governmental Authority. The term "Governmental Authority" shall mean the United States, the State of Texas, the County of Harris, the City of Houston, or any other political subdivision in which the Property is located, and any other political subdivision, agency, or instrumentality exercising jurisdiction over Borrower, the Property or the Improvements.

1.23 Governmental Requirements. The term "Governmental Requirements" shall mean all laws, ordinances, rules and regulations of any Governmental Authority applicable to Borrower or the Property.

1.24 Gross Receipts. The term "Gross Receipts" shall mean (i) the total gross rents received by Borrower, including, but not limited to, base rent and expense pass-throughs, for each designated period under all Leases, concession agreements, and parking agreements or arrangements, regardless of what such rentals may be called, plus (ii) all other revenues of any kind received by Borrower in such designated period from or with respect to, the Improvements, including, but not limited to, the proceeds of any rent loss or business interruption insurance payable for the period in question and security and cleaning and damage deposits applied to a rental or cost obligation and interest earned thereon, amounts received by Borrower for common area maintenance, exclusive, however, of the proceeds from any casualty or condemnation other than rental loss or business interruption insurance described above, capital contributions to Borrower from the General Partner, or loans to Borrower by the General Partner, and unforfeited tenant security deposits.

1.25 Guarantor. The term "Guarantor" shall mean Medical Properties Trust, Inc., a Maryland corporation.

1.26 Guaranty. The term "Guaranty" shall mean that certain Limited Guaranty executed by Guarantor.

1.27 Improvements. The term "Improvements" shall mean a community hospital containing approximately 129,550 square feet (including the connector to the adjacent medical office building), built in accordance with the Plans and in accordance with the Plans and in accordance with all applicable requirements as to usage, utility hookups, ingress and egress, landscaping and finish work required under the Plans.

1.28 Inspecting Architects/Engineers. The term "Inspecting Architects/Engineers" shall mean AECC or its replacement as selected by Lender.

1.29 Interest Reserve. The term "Interest Reserve" shall have the meaning set forth in Section 2.17 below.

1.30 Knowledge. The term "Knowledge" shall mean (a) with respect to the Borrower or the Guarantor, the conscious awareness of Edward K. Aldag, Jr., Emmett E. McLean, or R. Steven Hammer, and (b) with respect to any other person or entity, the conscious awareness of facts or other information by such person or the principal officers of such entity.

1.31 Laws. The term "Laws" shall mean all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, decisions, opinions or decrees of any Governmental Authority or any Tribunal.

1.32 Leases. The term "Leases" shall mean all leases of space in the Improvements entered into between Borrower and tenants of the Improvements, including, without limitation, the Community Hospital Lease (as hereinafter defined).

1.33 Lien. The term "Lien" shall mean any lien, mortgage, security interest, pledge, charge, or encumbrance of any kind, including, without limitation, a mechanic's lien, a materialman's lien, the rights of a vender, lessor, or similar party under any conditional sales agreement or other title retention agreement or lease substantially equivalent thereto, and any other right of or arrangement with any creditor to have his claim satisfied out of any property or assets, or the proceeds therefrom, prior to the general creditors of the owner thereof. Notwithstanding the foregoing, the term "Lien" shall not include any Permitted Encumbrances.

1.34 Loan. The term "Loan" shall mean the loan by Lender to Borrower, in an amount not to exceed the principal sum set forth in Section 2.18 of this Agreement, for the payment of the costs of labor, materials, and services supplied for the construction of the Improvements, specified in the Approved Budget, and all other expenses incident to the acquisition and the construction of the Property, all as specified in the Approved Budget, as well as any involuntarily advanced funds in excess of the principal loan amount which Lender deems reasonably necessary to preserve and to protect collateral covered by the Loan Documents and Lender's status as a first lienholder as to the Property, Improvements and other collateral for the Loan.

1.35 Loan Documents. The term "Loan Documents" shall mean this Agreement, the Mortgage, the Note, the Assignment of Leases, the Assignment of Contracts, the Environmental Indemnity Agreement, the Financing Statements, the Guaranty, the MOB Note, MOB Loan Agreement, MOB Mortgage, the MOB Loan Documents (as defined in the MOB Mortgage), and such other instruments evidencing, securing, or pertaining to the Loan as shall, from time to time, be executed and delivered by Borrower to Lender pursuant to this Agreement, including, without limitation, each Application for Advance and the Approved Budget.

1.36 Major Contracts. The term "Major Contracts" shall mean all contracts comprising the Construction Contract requiring aggregate payments thereunder in excess of One Hundred Thousand and No/100 Dollars (\$100,000.00).

1.37 Material Agreement. The term "Material Agreement" shall mean any material written or oral agreement, contract, commitment, promissory note, lease or understanding requiring payments, pledges, or performance executed in connection with the Property over the term of any such agreement, contract, commitment or understanding in excess of Fifty Thousand and No/100 Dollars (\$50,000.00) to which the person or entity in question is a party, by which such person or entity is directly or indirectly bound, jointly or severally bound, contingently or directly liable, or to which any assets of such person or entity may be subject, which is not cancelable by such person or entity upon thirty (30) days' or less notice without liability for further payment other than a nominal penalty; including, but not limited to, the Construction Contract.

1.38 Maximum Rate. The term "Maximum Rate" shall mean during the term of the Loan the maximum permissible amount which may be paid or agreed to be paid to Lender or the holder of the Note, or collected by Lender or such holder, for the use, forbearance, or detention of the Loan or for the payment of or performance of any covenant obligation contained in any of the Loan Documents under applicable federal or state usury laws.

1.39 MOB Borrower. The term "MOB Borrower" shall mean MPT West Houston MOB, L.P., a Delaware limited partnership.

1.40 MOB Lease. The term "MOB Lease" shall mean that certain Lease Agreement dated June 17, 2004, by and between MOB Borrower, as landlord, and the MOB Tenant, as tenant, regarding the lease of the Improvements.

1.41 MOB Tenant. The term "MOB Tenant" shall mean Stealth L.P., a Delaware limited partnership.

1.42 MOB Loan. The term "MOB Loan" shall mean the loan from the Lender to the MOB Borrower in the original principal amount of Fifteen Million Three Hundred Fifty-Six Thousand Five Hundred Seventy-Five and No/100 Dollars (\$15,356,575.00) pursuant to the MOB Loan Agreement.

1.43 MOB Loan Agreement. The term "MOB Loan Agreement" shall mean that certain Loan Agreement of even date herewith executed by MOB Borrower and Lender.

1.44 MOB Mortgage. The term "MOB Mortgage" shall mean that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated of even date herewith, executed by MOB Borrower and conveying to Lender the property more particularly described therein as security for the MOB Note and the Note and payment and performance of all obligations specified therein, the MOB Loan Agreement, the Mortgage and this Agreement.

1.45 MOB Note. The term "MOB Note" shall mean that certain Promissory Note of even date herewith, from MOB Borrower to Lender evidencing the MOB Loan.

1.46 Mortgage. The term "Mortgage" shall mean the Deed of Trust, Assignment of Leases, Security Agreement and Fixture Filing, of even date herewith, conveying to Lender the Property as security for the payment of the Note and the payment and performance of all obligations specified therein, and in this Agreement, the MOB Mortgage and the MOB Loan Agreement.

1.47 Net Operating Income. The term "Net Operating Income" shall mean, for any designated period, the amount by which Gross Receipts for the period in question exceed Operating Expenses.

1.48 Note. The term "Note" shall mean the Promissory Note from Borrower to Lender of even date herewith in the original principal amount of Twenty-Eight Million Eighty-Six Thousand Four Hundred Twenty-Five and No/100 Dollars (\$28,086,425.00) and evidencing the Loan.

1.49 Operating Expenses. The term "Operating Expenses" shall mean the sum of the following expenses to the extent such expenses have been paid by Borrower for the designated period for which the Net Operating Income computation is being made: (a) all taxes and assessments imposed upon the Project; (b) all insurance premiums for insurance incurred in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this paragraph shall be the premium fairly allocable to the Project; (c) operating expenses of the Project (unless such expenses are paid by proceeds of insurance policies or are paid out of the account) for the operation, cleaning, leasing, marketing, maintenance and repair, to the extent properly chargeable against income in accordance with generally accepted accounting practices including, without limitation, wages and payroll costs, reasonable accounting and bookkeeping expenses, utilities and hearing charges, material costs, maintenance costs, costs of services, water and sewer charges, license fees and business taxes, and such other expenses normally considered as an industry-wide cost of operating a community hospital; provided that such costs shall not include (i) any of the foregoing items to the extent paid by a tenant of Borrower or any other third party which reimburses Borrower for any cost or expense except to the extent such items paid by a tenant or third party are also included in gross rental receipts and other receipts generated by the use and operation of the Project; or (ii) any deduction for depreciation of the Project taken or noted on the Borrower's income tax returns; or (iii) the cost of capital improvements made to the Project not taken or noted as a deduction on the Borrower's federal income tax returns and not included in the operating budget; or (iv) the cost of the Borrower's federal, state or local income taxes.

1.50 Origination Fee. The term "Origination Fee" shall mean Two Hundred Eighty Thousand Eight Hundred Sixty-Four and No/100 Dollars (\$280,864.00), plus an underwriting fee in the amount of Nine Hundred and No/100 Dollars (\$900.00), to be paid to Lender on the date hereof, if not previously paid, in consideration of Lender's originating the Loan to Borrower and of the commitment of Lender to make the proceeds of the Loan available to Borrower from time to time during the term of this Agreement in accordance with the terms hereof. The Origination Fee will be fully earned on execution of this Agreement and shall be absolutely non-refundable.

1.51 Payment Bond. The term "Payment Bond" shall mean a bond assuring the payment of each subcontractor responsible for at least ten percent (10%) of the aggregate costs of constructing the Improvements from such company(ies) licensed to do business in the State of Texas and in such form, content and amounts as are satisfactory to Lender, naming Borrower and Lender as additional obligees.

1.52 Performance Bond. The term "Performance Bond" shall mean a bond assuring the performance of each subcontractor responsible for at least ten percent (10%) of the aggregate costs of constructing the Improvements, and which bond is issued by such company(ies) licensed to do business in the State of Texas and in such form, content and amounts as are reasonably satisfactory to Lender, naming Borrower and Lender as an additional obligees.

1.53 Permitted Encumbrance. The term Permitted Encumbrance shall mean (a) those encumbrances, liens, assignments or security interests currently outstanding and described on the attached Schedule 1.54, (b) those encumbrances, liens, assignments or security interests pledged previously to the Lender or incurred pursuant to this Agreement, (c) deposits regarding workers' compensation unemployment insurance, pensions, or other employee benefits, (d) tax liens for taxes not due or which are being contested in good faith, during any fiscal year, or (e) materialmen's lien for sums not yet due and payable.

1.54 Plans. The term "Plans" shall mean the final working drawings and specifications, together with any amendments or modifications thereto, for the construction of the Improvements, prepared by Architect, and approved by Lender, Borrower, any lessee of the Property, if applicable, and any necessary Governmental Authority.

1.55 Project. The term "Project" shall mean the proposed Improvements, and related improvements, to be constructed or installed by Borrower on the Property together with the Property.

1.56 Property. The term "Property" shall mean the real property described in Exhibit A attached hereto and incorporated herein by reference, together with the Improvements.

1.57 Taxes. The term "Taxes" shall mean all taxes, assessments, fees, levies, imposts, duties, deductions, withholdings, or other charges of any nature whatsoever from time to time or at any time imposed by any Laws or by any Tribunal.

1.58 Title Company. The term "Title Company" shall mean First American Title Insurance Company.

1.59 Title Policy. The term "Title Policy" shall mean that certain mortgagee's title insurance policy respecting the Property issued by the Title Company in accordance with the title commitment no. NCS-129932-ATL dated November 16, 2004, a copy of which has been delivered to Lender prior to the date hereof.

1.60 Tribunal. The term "Tribunal" shall mean any court, department, commission, board, bureau, agency, or instrumentality of any Governmental Authority.

ARTICLE II.
ADVANCES

2.1 Commitment of Lender. Subject to the provisions of this Agreement, and provided that an Event of Default has not occurred, and no event or condition which with the giving of notice or the passage of time or both would reasonably be expected to constitute an Event of Default has occurred and remains uncured to Lender's satisfaction, Lender will make Advances to Borrower up to the maximum principal amount set forth in Section 2.18 hereof. The obligation of Lender to make Advances to Borrower shall terminate and expire at 1:00 p.m., Dallas, Texas time on April 15, 2006.

2.2 General Conditions Precedent. The following must be satisfied as conditions precedent to Lender's obligation to make any Advance at any time:

(a) All representations and warranties set forth in this Agreement, in each Application for Advance and in all other Loan Documents shall be true and correct, in all material respects, on and as of the date of any such Advance, with the same effect as if made and repeated on that date.

(b) As of the date of any such Advance,

(1) Borrower is in material compliance with all of the covenants, agreements, obligations and undertakings required to be performed by Borrower under this Agreement and under the other Loan Documents unless compliance thereof shall have been waived in writing by Lender;

(2) No Event of Default as defined herein or in any other Loan Documents, and no event or condition which with the notice or the passage of time or both as prescribed herein or in such other Loan Documents, would reasonably be expected to constitute any such Event of Default has occurred and remains uncured to Lender's reasonable satisfaction;

(3) There shall have been no material adverse change in the net income or condition of the Property or in the business or financial condition or management of Borrower and no material condemnation or adverse zoning or usage change proceedings shall have been commenced or, to Borrower's Knowledge, threatened against the Property;

(4) All statements contained in Borrower's Application for Advance are true and correct, in all material respects, and all other certificates furnished to Lender by or on behalf of Borrower or in connection with the transactions contemplated by this Agreement or any of the other Loan Documents are true and correct in all material respects, and there are no facts or events known to Borrower which, if disclosed to Lender, would make such statements or certificates untrue in any material respect; and

(5) All documentation shall at all times be in form and content reasonably acceptable to Lender.

(c) It shall also be a condition to Lender's obligation to make any Advance that Lender has received the approval of the Application for Advance by the Inspecting Architects/Engineers so long as the Inspecting Architects/Engineers provide such approvals within the time periods required for such Advance under the Development Agreement.

(d) Lender shall have no obligation: (i) to make any Advance if any condition precedent set forth herein has not been fully satisfied, (ii) to make any Advance for a line item which exceeds the sums for such line item on the Approved Budget (subject to the provisions of Section 2.14 hereof), (iii) to make more than one (1) Advance in any one (1) month, and (iv) to make any Advance which would cause the aggregate of all Advances by Lender to exceed the maximum amount set forth in Section 2.18 hereof.

2.3 Payment of Principal and Interest on the Loan. Interest on the Loan, at the rate specified in the Note, shall be computed on the unpaid principal balance which exists from time to time, shall be computed with respect to each Advance only from the date of such Advance. Any payment of principal or interest on the Loan shall be paid in accordance with the Note.

2.4 Applications for Advances. Advances for the payment of costs of labor, materials, and services supplied for the construction of the Improvements shall be made by Lender, not more frequently than once a month, upon compliance by Borrower with this Agreement after actual commencement of construction of the Improvements for work actually done during the preceding period. Not more frequently than once a month, unless Borrower and Lender agree, in writing, on more frequent Advances, Borrower shall submit an Application for Advance to Lender requesting an Advance for the payment of costs of labor, materials, and service supplied for the construction of the Improvements or for the payment of other costs and expenses incident to the Loan, the acquisition of the Property, or the construction of the Improvements, and specified in the Approved Budget. Each Application for Advance shall be submitted by Borrower to Lender in a reasonable time, but not less than ten (10) days prior to the date on which an Advance is desired by Borrower. Upon receipt of the Application for Advance, Lender may request an inspection of and require a favorable report on the Improvements by the Inspecting Architects/Engineers prior to making any Advance, provided that such request is made and such report is delivered timely to avoid any default under the Development Agreement or the Construction Contract. The Inspecting Architects/Engineers shall certify to Lender that at the time an Application for Advance is made: (a) the Advance requested is in proportion to the work completed in accordance with the Development Agreement and the Construction Contract;

(b) that all work has been performed in a good and workmanlike manner; (c) that construction of the Improvements is proceeding diligently and in accordance with the Plans; and (d) there are sufficient funds remaining to complete the construction of the Improvements consistent with the line items and aggregate amounts specified in the Approved Budget. Lender's receipt of any such certification shall not be deemed as Lender's acceptance of any such work completed or a waiver by Lender of any of Lender's rights to seek full performance of the requirements of this Agreement from Borrower.

2.5 Aggregate of Advances. Advances for payment of costs of construction of the Improvements shall not exceed the aggregate of (a) the costs of labor, materials, and services incorporated into the Improvements in accordance with the Development Agreement and the Construction Contract, plus (b) the purchase price of all uninstalled materials to be utilized in the construction of the Improvements stored on the Property, or elsewhere in accordance with the Development Agreement and the Construction Contract, less (c) all prior Advances for payment of costs of labor, materials, and services for the construction of the Improvements or in the consummation of this Loan.

2.6 Use of Advances. Borrower shall disburse all Advances for payment of costs and expenses incurred for the development, financing, and construction of the Improvements as specified in the Approved Budget, and most recently requested on an Application for Advance, and for no other purpose.

2.7 The Borrower's Deposit. If Lender and Inspecting Architects/Engineers at any time make a reasonable good-faith determination that the amount of the unadvanced portion of the Loan will not be sufficient to pay fully for all costs required to complete the construction of the Improvements in accordance with the approved Plans and Approved Budget, whether such deficiency is attributable to changes in the work of construction or in the Plans or to any other cause, Lender may make written demand on Borrower to deliver to Lender the amount of the shortage determined by Lender (the "Borrower's Deposit"), which Borrower's Deposit shall be placed in an interest bearing account by Lender. Borrower shall deposit the amount of the Borrower's Deposit within thirty (30) days after the date of Lender's written demand. No further Advances need be made by Lender until the Borrower's Deposit is made by Borrower. Borrower shall promptly notify Lender in writing if and when, to Borrower's Knowledge, the cost of the construction of the Improvements exceeds, or appears likely to exceed, the amount of the unadvanced portion of the Loan and the unadvanced portion of the Borrower's Deposit.

2.8 Direct Disbursement and Application by Lender. Lender shall have the right, but not the obligation, following at least five (5) days' prior written notice to Borrower, to disburse and apply the proceeds of any Advance to the satisfaction of any of Borrower's obligations hereunder directly to Contractor, the Title Company, and any other person or firm to whom payment is due under this Agreement or any other Loan Documents, except with respect to any payment contested by Borrower pursuant to Section 4.22 hereof. Any Advance by Lender for such purpose, except Borrower's Deposit, shall be part of the Loan and shall be secured by the Loan Documents. Subject to Borrower's right to contest a claim pursuant to Section 4.22 hereof, Borrower hereby authorizes Lender, following at least five (5) business days' prior written notice to Borrower, to hold, use, disburse, and apply the Loan and the Borrower's Deposit for payment of costs of construction of the Improvements, expenses incident to the Loan and the

Property, and the payment or performance of any obligation of Borrower hereunder, including, without limitation, interest on the Loan, any Loan fees owing to Lender, legal fees of Lender's attorneys which are payable by Borrower, and such other sums as may be owing from time to time by Borrower to Lender with respect to the Loan. Such payments may be made, at the option of Lender following at least five (5) business days' prior written notice to Borrower, by (a) debiting or charging Borrower's Loan account in the amount of such payments without first disbursing such amounts to Borrower, or (b) advancing all or any part of the amount of such payments to Borrower and then invoicing Borrower therefor. No further direction or authorization from Borrower shall be necessary to warrant such direct Advances and all such Advances shall satisfy pro tanto the obligations of Lender hereunder and shall be secured by the Loan Documents as fully as if made directly to Borrower. Notwithstanding the other provisions of this paragraph, nothing in this Agreement is intended to be for the benefit of, nor may be enforced by, nor should be relied upon by, any person, firm or corporation other than Borrower.

2.9 Advances Do Not Constitute A Waiver. No Advance shall constitute a waiver of any of the conditions of Lender's obligations to make further Advances nor, in the event Borrower is unable to satisfy any such condition, shall any such waiver have the effect of precluding Lender from thereafter declaring an Event of Default hereunder with respect to any such inability which shall constitute an Event of Default.

2.10 Conditions to the First Advance. As a condition precedent to the first Advance hereunder (the "First Advance"), Borrower must satisfy the conditions required hereby and set forth elsewhere in this Agreement and deliver to Lender, the documents, certificates, and other items that are set forth below:

- (a) The Origination Fee;
- (b) The Loan Documents duly executed and in recordable form by Borrower and, other parties thereto, if applicable;
- (c) The irrevocable commitment of the Title Company to issue the Title Policy in the normal course of business after the payment of the premiums for such policy;
- (d) The survey of the Property, dated April 1, 2004 and last updated on December 10, 2004, and issued by Carter & Burgess, Inc., a copy of which has previously been delivered to Lender, and a certification to the benefit of Lender and the Title Company by a duly registered land surveyor or engineer reasonably acceptable to Lender;
- (e) The Assignment of Contracts together with the consent of the Architect and Contractor and any other such party to the assignment thereof;
- (f) The insurance policies or certificates of such insurance policies as specified in Section 4.13 herein;

(g) A list of the names and addresses of all parties to Major Contracts, together with, if requested by Lender, true and correct copies of all executed contracts and subcontracts;

(h) The Financial Statements;

(i) All governmental permits and approvals necessary or appropriate to complete development and construction of the Project which have been issued as of the date hereof, all of which are to be assigned to Lender as additional security for the Loan, in such manner as shall be acceptable to Lender's legal counsel;

(j) Estoppel Certificate and SNDA in form and substance reasonably acceptable to Lender, from the MOB Tenant;

(k) Evidence that all approvals required under the zoning and property use laws and ordinances applicable to the Property (including any necessary rezoning or other changes in the property use classifications of the Property) and all approvals required under State and local Property subdivision laws and ordinances to acquire the Property in compliance with such laws and ordinances have been obtained and have been or will be complied with;

(l) Evidence that tap permits or "connections" for water and sanitary sewer service to the Property have been obtained or requested;

(m) Evidence that all of the streets providing access to the Property either have been dedicated to public use or established by private easement, duly recorded in the records of the County in which the Property is located, and have been fully installed and accepted by the applicable Governmental Authority, with all costs and expenses of the installation and acceptance thereof having been paid in full, and that there are no restrictions on the use and enjoyment of such streets that adversely affect, limit, or impair Borrower's ability to develop and construct the Property or operate the Property for the purposes and in the manner represented to Lender;

(n) Evidence of the availability for hook-up at the boundaries of the Property of all utilities and other related services to the Property including specifically, but without limitation, gas, electricity, telephone, waste removal, water services and storm and sanitary sewer facilities;

(o) Evidence reasonably satisfactory to Lender's legal counsel that all necessary action on the part of Borrower has been taken with respect to the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, so that this Agreement and all Loan Documents to be executed and delivered by or on behalf of Borrower will be valid and binding upon Borrower or the person or entity executing and delivering such document in accordance with its terms. Such evidence shall include the legal opinion of legal counsel for Borrower, as reasonably approved by Lender, and covering such other matters as Lender may reasonably require in form and

content reasonably acceptable to Lender's legal counsel and containing no exceptions other than such as may be reasonably acceptable to Lender and its legal counsel;

(p) A consulting engineer's report or architect's certification, including or being accompanied by a soils investigation report from a soils engineer reasonably satisfactory to Lender;

(q) An environmental engineering report for the Property conducted by an engineer reasonably acceptable to Lender, in form and content satisfactory to Lender;

(r) The Approved Budget;

(s) Issuance of the Payment and Performance Bonds;

(t) The fully executed Community Hospital Lease;

(u) Evidence satisfactory to Lender that Nine Million Three Hundred Sixty-One Thousand Nine Hundred Ninety-Seven and No/100 Dollars (\$9,361,997.00) of cash equity has been invested in or loaned to Borrower, and that such amount will be spent by Borrower to defray the costs of the Project before any advances are made by Lender to Borrower provided that Lender hereby acknowledges that certain affiliates of the Borrower have previously advanced to Borrower the sum of approximately Four Million Four Hundred Fifty-One Thousand One Hundred Seventy and 24/100 Dollars (\$4,451,170.24) to fund initial construction costs of the Improvements and such advance shall be credited against such total funds required to be invested in or loaned to Borrower hereunder (with Lender acknowledging that such amount may increase from time to time hereafter); and

(v) Evidence reasonably satisfactory to the Lender that all conditions to payment of such Advance as set forth in Section 6(g) of the Development Agreement have been satisfied in all material respects.

2.11 Conditions to Subsequent Advances. As a condition precedent to each Advance subsequent to the First Advance, in addition to all other requirements herein, Borrower must satisfy the following requirements and, if required by Lender, deliver to Lender evidence of such satisfaction:

(a) The general conditions set forth in Section 2.2 and the conditions precedent to the first Advance set forth in Section 2.10 shall have been satisfied, in all material respects, and continue to be satisfied, in all material respects, as of the date of the disbursement of any Advance;

(b) Borrower shall deliver to Lender an Application for Advance accompanied by the documents and schedules set forth below in Lender's prescribed form, a copy of which is attached hereto as Schedule 2.11(b):

(1) A "Payment Request" containing a detailed budget breakdown specifying:

(i) the amount of the Loan proceeds allocated for each line item on the Approved Budget;

(ii) the amount of the Advance requested from each line item on the Approved Budget; and

(iii) the total Advances to date from each line item on the Approved Budget;

(2) A "Payee Schedule" itemizing all parties to be paid with the Advance and the amounts to be paid to each;

(3) A "Request for Funds Certification", executed by Borrower and Architect, stating among other matters:

(i) the labor, services and/or materials covered by the Application for Advance have been performed upon or furnished in the construction of the Improvements;

(ii) there have been no material changes in the Approved Budget except those approved by Lender in writing;

(iii) all construction to date has been performed in accordance with the Plans, and there have been no material changes in the Plans except as have been approved by Lender in writing;

(iv) there have been no material changes in the scope of time of performance of the work of construction, nor any material extra work, labor or materials ordered or contracted for, nor are any such material changes or extras contemplated, except as have been approved by Lender in writing;

(v) subject to Section 2.13 hereof, the payments to be made with the Advance requested will pay all bills received and then due to date for any labor, materials and services furnished in connection with construction of the Improvements;

(vi) subject to Section 2.13 hereof, all Advances previously disbursed by Lender for labor, services, and/or materials for construction of the Improvements pursuant to previous Applications for Advances have been paid to parties entitled thereto; and

(vii) a certified statement of the Borrower that all conditions precedent to an Advance have been fulfilled in all material respects, and,

to the Knowledge of the Borrower, no Event of Default has occurred and is continuing and no event which with notice or lapse of time or both would reasonably be expected to constitute such an Event of Default has occurred, or if any such event or Event of Default has occurred, giving the details of such event;

(c) The representations and warranties made in this Agreement shall be true and correct, in all material respects, on and as of the date of each Advance, with the same effect as if made on that date;

(d) If required by Lender, Borrower shall, within sixty (60) days after notice of the filing of any mechanics' and materialmen's lien, encumbrance or charge upon the Property or any part thereof, which arises by reason of any labor, services or materials furnished or claimed to have been furnished to Borrower or by reason of the development, design or construction of the Improvements including, without limitation, any tests, investigations or studies ordered or conducted by Borrower (excluding, however, any liens filed as a direct result of MOB Owner's failure to perform its obligations under the terms, conditions and provisions of the Contracts), (i) cause such lien, encumbrance or charge upon the Property to be released or discharged with respect to the Property by payment or bonding, or (ii) contest such lien and provide to Lender reasonably satisfactory evidence of adequate reserves by Borrower to pay the amount contested or an indemnity bond pursuant to Section 4.22 hereof;

(e) Evidence that, during the course of construction, Borrower has obtained an endorsement to the existing Title Policy reflecting that no mechanics' or materialmen's lien has been filed against the Property (except as permitted herein), provided that copies of the bring-down endorsement furnished to Lender shall constitute satisfactory evidence;

(f) True copies of any Material Agreements with third parties relating to the management or operation of the Property, which must be approved in advance by Lender and must be subordinated, in all respects, to the Loan Documents;

(g) Lender shall have received a satisfactory report from the Inspecting Architects/Engineers that the Improvements are being constructed in accordance with the Plans and the Approved Budget; and

(h) Evidence reasonably satisfactory to Lender that all conditions to such Advance set forth in Section 6(g) of the Development Agreement have been satisfied in all material respects.

2.12 Conditions to the Final Advance. As a condition precedent to the final Advance hereunder, including all unreleased retainage, Borrower must satisfy all conditions precedent to Advances set forth in Section 2.11 above and deliver to Lender the following (the "Completion Requirements"):

(a) A Completion certificate from the Inspecting Architects/Engineers certifying that the Project is substantially complete (within the meaning of Section 5(b) of the Development Agreement);

(b) Any portion of the Project requiring inspection or certification by any governmental agency shall have been inspected and certified as complete and all other necessary approvals shall have been duly issued;

(c) Evidence that the Architect, engineer, surveyors and all contractors and subcontractors have been paid or will be paid in full, or have otherwise executed sufficient and satisfactory releases of any and all mechanics' or materialmen's lien or liens which they may have or be entitled to, or that Borrower has otherwise sufficiently provided for the satisfaction of all claims or liens by the Architect, engineer, surveyors or any contractor or subcontractor, which evidence shall include an endorsement to the Title Policy evidencing that no mechanics' and materialmen's liens or other encumbrances have been filed against the Property, except as permitted herein;

(d) Evidence that the Developer, Developer's authorized representative, Architect and Contractor have certified that (1) construction of the Improvements has been completed in accordance with the Plans, (2) all work requested for reimbursement has been completed in accordance with the Plans, (3) a notice of completion has been filed as required by any applicable laws, and (4) all applicable time periods shall have expired for the creation of any mechanics' or materialmen's lien.

(e) An "as built" ALTA survey, certified to ALTA requirements, prepared by an engineer or surveyor licensed in the State of Texas; and

(f) Evidence reasonably satisfactory to Lender that all conditions to such Advance set forth in Section 6(g) of the Development Agreement have been satisfied in all material respects.

2.13 Retainage. The amount designated as retainage under the Construction Contract shall be retained by Lender from each Application for Advance. Such retainage will be disbursed by Lender within the time period specified in the Construction Contract and the delivery to Lender of Lien waivers with respect to the Improvements applicable thereto.

2.14 Reallocation of Approved Budget. Lender reserves the right, upon Borrower's prior written consent (which consent may not be unreasonably withheld, conditioned, or delayed), to make Advances which are allocated to any of the designated items in the Approved Budget for such other purposes or in such different proportions as Lender may, in its reasonable discretion, deem necessary or advisable. With the prior written consent of Lender (which consent may not be unreasonably withheld, conditioned, or delayed), Borrower shall be entitled to make reallocations from items in the Approved Budget for which substantial completion has been achieved as determined by Lender and no further funds are required, to the extent of any amount remaining in such item.

2.15 Conditions Precedent for the Benefit of Lender. All conditions precedent to the obligation of Lender to make any Advance are imposed hereby solely for the benefit of Lender, and no other party may require satisfaction of any such condition precedent or be entitled to assume that Lender will refuse to make any Advance in the absence of strict compliance with such conditions precedent. All requirements of this Agreement may be waived by Lender, in whole or in part, at any time.

2.16 Subordination. Lender shall not be obligated to make, nor shall Borrower be entitled to, any Advance until such time as Lender shall have received, to the extent requested, by Lender, subordination agreements from Architect, Contractor, and all other persons furnishing labor, materials, or services for the design or construction of the Improvements, subordinating to the lien of the Mortgage any Lien, claim, or charge they may have against Borrower or the Property.

2.17 Interest Reserve. Borrower acknowledges and agrees that the amount of Two Million One Hundred Seventy Thousand One Hundred Seventy-Two and No/100 Dollars (\$2,170,172.00), as specified in the Approved Budget, represents reserves for interest on the Loan (the "Interest Reserve"). So long as no Event of Default exists and no event exists which with the giving of notice or the passage of time or both would reasonably be expected to constitute an Event of Default, interest due and payable under the Note may be paid from the Interest Reserve. Borrower shall notify Lender in writing as to the amount to be disbursed from the Interest Reserve, subject to verification by Lender. Borrower hereby authorizes and directs Lender, and Lender shall have the right to disburse and charge the Interest Reserve for interest due under the Loan on the seventeenth (17th) day of each month as interest payments become due and payable pursuant to the terms of the Loan Documents. Such disbursements shall be made by a bookkeeping entry on Lender's records and shall be reflected as additional Advances under the Loan, in amounts equal to the accrued interest due and payable on the seventeenth (17th) day of each month. Such bookkeeping entry shall be deemed to be as if Borrower had delivered a check to Lender for the amount in question. Unless otherwise directed by Lender in its sole discretion, the Interest Reserve shall be available only for disbursements of the periodic payments of accrued interest due to Lender on the Loan pursuant to the terms of this Agreement and the other Loan Documents. Any funds disbursed in the manner provided in this Section 2.17 shall have been deemed paid to and received by Borrower.

2.18 Maximum Funding Obligation. Lender shall have no obligation to make Advances in excess of amounts Borrower has properly qualified in advance to receive, and Lender shall have no obligation to make Advances in excess of Twenty-Eight Million Eighty-Six Thousand Four Hundred Twenty-Five and No/100 Dollars (\$28,086,425.00) (the "Maximum Funding Obligation").

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF BORROWER

3.1 The Financial Statements. The Financial Statements delivered by Borrower to Lender on or prior to the date hereof were prepared in accordance with generally accepted accounting principles and fairly present the financial condition and results of operations of the Borrower for the respective periods specified therein, except for the absence of footnotes and

subject to normal year-end adjustments which, in the aggregate, are not material. To Borrower's Knowledge, no material adverse change has occurred in the financial condition of Borrower since the period ending as of the last Financial Statement delivered by Borrower to Lender.

3.2 Suits. Actions. Etc. There are no actions, suits, or proceedings pending or, to Borrower's Knowledge, threatened in any court or before or by any Governmental Authority affecting Borrower or the Property, or involving the validity or enforceability of any of the Loan Documents, at law or in equity. The consummation of the transactions contemplated hereby, and the performance of any of the terms and conditions hereof and of the other Loan Documents, will not result in a material breach of, or constitute a material default in, any mortgage, deed of trust, deed to secure debt, lease, promissory note, loan agreement, credit agreement, partnership agreement, or other agreement to which Borrower is a party or by which Borrower may be bound or affected.

3.3 Valid and Binding Obligation. All of the Loan Documents, and all other documents referred to herein to which Borrower is a party, upon execution and delivery will constitute valid and binding obligations of Borrower, enforceable against the Borrower in accordance with their terms except as limited by Debtor Relief Laws.

3.4 Title to the Property. Borrower holds good and marketable title to the Property subject only to title exceptions set forth in the Title Policy.

3.5 No Default. Borrower is not in default in the payment of the principal of, or interest on, any indebtedness for borrowed money, nor is Borrower in default under any instrument or agreement under or subject to which any material indebtedness for borrowed money has been issued, and no event has occurred under the provisions of any such instrument which, with or without the lapse of time or the giving of notice or both, constitutes or would reasonably be expected to constitute an event of default of Borrower thereunder.

3.6 Approval and Consent. No approval, authorization, or consent of any Tribunal or Governmental Authority that has not yet been received, is required for the proper execution, delivery, and performance of this Agreement or the other Loan Documents.

3.7 Cost Certification. To Borrower's Knowledge, the Approved Budget contains, in all material respects, true and accurate cost estimates for each line item contained therein, based upon the most complete and up-to-date information available to Borrower on the date of this Agreement, all as more particularly described on Exhibit B attached hereto.

3.8 Taxes. All federal, state, foreign, and other tax returns of Borrower required to be filed have been filed, and no deficiency, claim, controversy or dispute exists with respect to any federal, state, foreign, and other taxes imposed upon Borrower, except for any such taxes as are being contested in good faith by Borrower through appropriate proceedings.

3.9 Purpose of Loan. To Borrower's Knowledge, none of the proceeds of the Advances will be used for any purpose that is contrary to, or that would result in a material violation of, any Laws.

3.10 Properties; Liens. Subject to the exceptions set forth in the Title Policy. Borrower has good and marketable title to any properties listed as assets on Borrower's Financial Statements, and except for such exceptions and those Liens subsequently approved by Lender in writing, there is no Lien on any asset of Borrower.

3.11 Damage; Condemnation. No material casualty or damage has occurred to the Property, any portion thereof, any improvements thereon or any appurtenances thereto. Borrower has not received notice with respect to (and Borrower has no Knowledge of) any actual or threatened taking of the Property or any portion thereof, for any public or quasi-public purpose by the exercise of the right of condemnation or eminent domain.

3.12 General. No representation, warranty or covenant by Borrower in this Agreement (including the Exhibits and Schedules attached hereto), any Loan Document, or other document or certificate furnished by Borrower in connection with the transactions contemplated by this Agreement (including the Financial Statements) contains any untrue statement of a material fact or omits to state any material fact required to be stated herein or therein in order to make the statements herein or therein, in light of the circumstances in which made, not misleading.

3.13 Material Agreements. Except for the Material Agreements delivered to Lender, prior to the date of this Agreement, Borrower is not directly, indirectly, or contingently obligated with respect to any Material Agreements relating to the Property. This warranty is only made as of the date hereof, but shall be actionable by Lender if it is subsequently determined that such representation and warranty was false when made.

3.14 Property Compliance. The Property complies, in all material respects, with all applicable subdivision, platting, building, land use, safety and zoning Laws and requirements and all requirements contained within any of the title exceptions included in the Title Policy.

3.15 Roads. The Property has access to and from public streets and roads adequate for its intended use, subject to temporary closing for construction purposes; all such streets and roads have been completed, dedicated to the public use and accepted for all purposes (including, but not limited to, maintenance) by the appropriate Governmental Authority.

3.16 Utility Services. All utility services, in sufficient size and capacity, necessary for the construction of the Improvements and the operation thereof for the intended use of the Property are or will be upon completion of construction available at the boundaries of the Property, consisting of water supply, storm and sanitary sewer facilities, electric, gas, and telephone facilities.

3.17 Permits. Borrower has secured all necessary building and other permits and consents (such permits and consents to be unconditional) for the construction of the Project and operation thereof, except for the Certificate of Occupancy and any other permits or consents not available until completion of the Improvements.

3.18 Hazardous Materials. Except as reflected on any Phase I or other environmental report or survey respecting the Property delivered to Lender, to Borrower's Knowledge, no portion of the Property has been used to generate, store or dispose of, on, under or about the

Property, or transport to or from the Property, any hazardous wastes, toxic substances or related materials ("Hazardous Materials"). For purposes of this Section 3.18, Hazardous Materials shall include, but not be limited to, substances defined as "Hazardous Substances" or "Toxic Substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq.; and in the regulations adopted and publications promulgated pursuant to such statute now or in the future.

ARTICLE IV.
COVENANTS AND AGREEMENTS OF BORROWER

4.1 Compliance with Governmental Requirements. Borrower shall timely comply, in all material respects, with all Governmental Requirements. Borrower assumes full responsibility for the compliance of the Plans and the Property with all Governmental Requirements and requirements of the Leases and with sound building and engineering practices and, notwithstanding any approvals by Lender, Lender shall have no obligation or responsibility whatsoever for the Plans or any other matter incident to the Property or the construction of the Improvements.

4.2 The Construction Contract. Borrower shall become a party to no Material Agreement or Major Contract (other than Approved Contracts) for the performance of any work on the Property or for the supplying of any labor, materials, or services for the construction of the Improvements except upon such terms and with such parties as shall be approved in writing by Lender, such approval not to be unreasonably withheld, conditioned or delayed. Borrower shall neither request nor approve any change orders under the Construction Contract without the prior written approval of Lender, such approval not be unreasonably withheld, conditioned, or delayed, except for non-structural changes which do not change the cost of construction by more than One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00) as to any one change or Five Hundred Thousand and No/100 Dollars (\$500,000.00) in the aggregate. No approval of Lender of any Construction Contract or change order shall make Lender responsible for the adequacy, form, or content of such Construction Contracts or change orders.

4.3 Construction of the Improvements. The construction of the Improvements shall be prosecuted with diligence and continuity, in a good and workmanlike manner, and in accordance with sound building and engineering practices, all applicable Governmental Requirements, the Plans, the Development Agreement, and the Construction Contract. Any cessation of work shall be permitted by Borrower only in accordance with the terms and conditions set forth in the Development Agreement and the Construction Contract, as applicable.

4.4 Correction of Defects. Borrower shall correct or cause to be corrected within thirty (30) days after receipt of written notice from Lender (a) any material defect in the Improvements, (b) any material departure in the construction of the Improvements from the Plans or Governmental Requirements, or (c) any material encroachment by any part of the Improvements or any other structure located on the Property, on any building line, easement, property line, or restricted area.

4.5 Storage of Materials. Borrower shall cause all materials supplied for, or intended to be utilized in, the construction of the Improvements, but not affixed to or incorporated into the

Improvements or the Property, to be stored in accordance with the terms and conditions of the Development Agreement.

4.6 Inspection of the Property. Borrower shall permit Lender and any Governmental Authority, and their agents and representatives, to enter upon the Property and any location where materials intended to be utilized in the construction of the Improvements are stored for the purpose of inspection of the Property and such materials at all reasonable times during normal business hours, following reasonable notice to Borrower and so long as such inspections do not materially interfere with the construction of the Improvements.

4.7 Notices by Governmental Authority, Fire and Casualty Losses, Etc. Borrower shall timely comply with and promptly furnish to Lender following receipt thereof, true and complete copies of any official notice or claim by any Governmental Authority pertaining to the Property. Borrower shall immediately notify Lender of any fire or other material casualty or any notice of taking or eminent domain action or proceeding affecting the Property.

4.8 Special Account. Borrower shall maintain a special account at a bank or other financial institution selected by Borrower, reasonably satisfactory to Lender, into which all Advances and any other amounts or payments arising in connection with the ownership of the Property, excluding direct disbursements made by Lender pursuant to Section 2.8 hereof, shall be deposited by Borrower, and against which checks shall be drawn only for the payment of (a) costs of labor, materials, and services supplied for the construction of the Improvements specified in the Approved Budget, and (b) other costs and expenses incident to the Loan, the Property, and the construction of the Improvements specified in the Approved Budget. Borrower shall furnish Lender with monthly bank statements, as they are received by Borrower, showing all deposits to and withdrawals from said special account for Lender's verification of compliance with this Loan Agreement.

4.9 Costs and Expenses. Borrower shall promptly pay Lender upon demand all reasonable costs and expenses incurred by Lender in connection with: (a) the preparation of this Agreement and all other Loan Documents and the closing of the Loan and any amendment, supplement, or modification of, or any waiver or consent under or with respect to, any of the Loan Documents; and (b) the enforcement or satisfaction by Lender of any of Borrower's obligations under this Agreement or the other Loan Documents. For all purposes of this Agreement, Lender's costs and expenses shall include, without limitation, all reasonable appraisal fees, cost engineering and inspection fees, legal fees, environmental consultant fees and the cost to Lender of any title insurance premiums and title surveys (including, without limitation, the costs and expenses of the inspection of the Property and/or Project by the Inspecting Architects/Engineers). Borrower recognizes and agrees that formal written appraisals of the Property and Improvements by a licensed independent appraiser may be required upon completion of the Improvements and pursuant to federal regulatory reporting requirements and that Lender may require reasonable inspections of the Property and Improvements by an independent supervising architect and/or cost engineering specialist following reasonable advance written notice to Borrower. If any of the services described above are provided by an employee of Lender, Lender's reasonable cost and expenses for such services shall be calculated in accordance with Lender's standard charge for such services.

4.10 Additional Documents. Borrower shall execute and deliver to Lender, from time to time as reasonably requested by Lender, such other documents as shall be reasonably necessary to provide the rights and remedies to Lender granted or provided for by the Loan Documents.

4.11 Inspection of Books and Records. Borrower shall permit Lender, at all reasonable times during normal business hours and following reasonable notice to Borrower, to examine and copy the books and records of Borrower pertaining to the Loan and the Property, and all contracts, statements, invoices, bills, and claims for labor, materials, and services supplied for the construction of the Improvements.

4.12 No Liability of Lender. Lender shall have no liability, obligation, or responsibility whatsoever with respect to the construction of the Improvements. Lender shall not be obligated to inspect the Property or the construction of the Improvements, nor be liable for the performance or default of Borrower, Architect, or any other party, or for any failure to construct, complete, protect, or insure the Improvements, or for the payment of costs of labor, materials, or services supplied for the construction of the Improvements, or for the performance of any obligation of Borrower whatsoever. Nothing, including without limitation any Advance or acceptance of any document or instrument, shall be construed as a representation or warranty, express or implied, to any party by Lender.

4.13 Insurance. Borrower shall (a) maintain in full force, until full payment of the Loan, such insurance coverages on the Property as are described on the attached Schedule 4.13, (b) maintain such coverages through the applicable insurance carriers for the respective coverages listed on Schedule 4.13, and (c) name the Lender as an additional insured and provide at least thirty (30) days prior written notice to Lender of cancellation, non-renewal or material change of the insurance policies maintained by the Borrower pursuant hereto.

4.14 No Conditional Sale Contracts, Etc. Except as set forth in the attached Schedule 4.14, no materials, equipment, or fixtures shall be supplied, purchased, or installed for the construction of the Improvements pursuant to security agreements, conditional sale contracts, lease agreements, or other arrangements or understandings whereby a security interest or title is retained by any party or the right is reserved or accrues to any party to remove or repossess any materials, equipment, or fixtures intended to be utilized in the construction or operation of the Improvements.

4.15 [Intentionally Omitted]

4.16 Bills of Sale. Borrower shall deliver to Lender, promptly following Lender's written demand therefor, any contracts, bills of sale, statements, or agreements under which Borrower claims title to any materials, fixtures or articles incorporated in the Improvements or subject to the Lien or security title of the Loan Documents.

4.17 Leases. Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed), enter into any new Leases after the effective date of this Agreement. Borrower shall not, without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed), enter into

any modification, amendment or termination of the Community Hospital Lease. Borrower shall not accept any rental from the Community Hospital Tenant more than one (1) month in advance of its due date. Borrower shall materially perform and comply with all of the landlord's obligations under the Community Hospital Lease. Borrower shall not release the Community Hospital Tenant from any material obligations or liabilities under the Community Hospital Lease without the prior written consent of Lender. Borrower shall promptly notify Lender of the occurrence of any events of default under the Community Hospital Lease (subject to all notice, grace and cure periods) of which Borrower has knowledge, and shall promptly after receipt thereof provide to Lender any notices in writing from the Community Hospital Tenant alleging that Borrower is in default under the Community Hospital Lease.

4.18 Additional Security. As additional security for the payment of the Loan, Borrower hereby irrevocably assigns to Lender and grants to Lender a security interest in all Advances disbursed to Borrower and Borrower's interest in all Loan funds held by Lender, whether or not disbursed.

4.19 Prohibition on Transfers. Except for the interest, rights and options granted pursuant to the MOB Lease and except as permitted in Section 8.15 of the Mortgage, Borrower shall not, without the prior written consent of Lender, transfer, convey, assign, encumber or otherwise dispose of the Property or the Improvements or any part thereof or any interest of Borrower therein to any individual, partnership, joint venture, trust, association, corporation or other legal entity, however organized, so long as any part of the indebtedness secured by the Mortgage is outstanding. Additionally, without the prior written consent of Lender, except as permitted in Section 3.9 of the Mortgage, no person having a controlling interest in any of the General Partners shall transfer, convey, assign, encumber or otherwise dispose of his/her interest in such General Partner so long as any part of the indebtedness secured by the Mortgage is outstanding.

4.20 No Assignment by Borrower. This Agreement may not be assigned by Borrower without the written consent of Lender, which consent may not be unreasonably withheld, conditioned, or delayed. If Lender approves an assignment hereof by Borrower, Lender shall be entitled to make Advances to such assignee and such Advances shall be secured by the Loan Documents. Borrower shall remain liable for payment of all sums advanced hereunder before and after such assignment unless otherwise approved in writing by Lender.

4.21 Further Assurance of Title. If at any time Lender's legal counsel is of the reasonable opinion that any Advance is not secured or will not be secured by the Loan Documents as a first Lien or first priority security interest on the Property, subject only to the matters in Title Policy, then Borrower shall, within ten (10) days after written notice of such opinion from Lender, do all things and matters reasonably necessary to assure to the reasonable satisfaction of Lender's counsel that any advance previously made hereunder or to be made hereunder is secured or will be secured by the Loan Documents as a first Lien or first priority security interest on the Property, subject to the matters in such title insurance policy, and Lender, at its option, may decline to make further Advances hereunder until Lender has received such assurance, but nothing in this Section shall limit Lender's right to require endorsements extending the effective date of such policy prior to an Advance under each Application for Advance.

4.22 Payment of Claims. Borrower shall promptly pay or cause to be paid when due all costs and expenses incurred in connection with the Property and the construction of the Improvements, and Borrower shall keep the Property free and clear of any Liens, charges, or claims other than Liens reflected in the Title Policy, and such other Liens approved in writing by Lender. Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, Borrower (a) may contest the validity or amount of any claim of any contractor, consultant, architect, or other person providing labor, materials, or services with respect to the Property, (b) may contest any tax or special assessments levied by any Governmental Authority, and (c) may contest the enforcement of or compliance with any Governmental Requirements, and such contest on the part of Borrower shall not be deemed a violation of any representation or covenant hereunder or the occurrence of an Event of Default hereunder and shall not release Lender from its obligations to make Advances hereunder; provided, however, that during the pendency of any such contest, Borrower shall furnish to Lender and Title Company either (x) reasonably satisfactory evidence that Borrower has adequate reserves to pay the amount being contested, or (y) an indemnity bond with corporate surety satisfactory to Lender and Title Company or other security acceptable to them in an amount equal to one hundred percent (100%) of the amount being contested, and provided further that Borrower shall pay any amount adjudged by a court of competent jurisdiction to be due, with all costs, interest, and penalties thereon, before such judgment becomes a Lien on the Property.

4.23 Restrictions and Annexation. Except as reflected in the Title Policy and except as may be required by the MOB Lease, Borrower shall not impose any restrictive covenants, easements, sharing agreements or encumbrances upon the Property, execute or file any subdivision plat affecting the Property, or consent to any assessments burdening the Property without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed).

4.24 Advertising by Lender. Borrower agrees that during the term of the Loan, Lender shall have the right to issue press releases, advertisements and other promotional materials approved, in writing, by Borrower and describing in general terms or in detail Lender's participation in such transaction including the placement of a sign approved by Borrower for display upon the Property identifying Lender. Any such sign shall be provided at the expense of Lender; provided, however, that if Lender provides a sign to Borrower, then Borrower agrees to erect such sign in a prominent and suitable location for display for the duration of the construction of the Improvements.

4.25 Financial Statements: Tax Returns. Within forty-five (45) days after the end of each fiscal quarter of Borrower's operation of the Property, Borrower shall furnish to Lender current (as of such fiscal quarter) operating statements and rent rolls for the Property in scope and detail satisfactory to Lender and certified by Borrower to be complete and accurate in all material respects. Within ninety (90) days after the end of each fiscal year of Borrower's operation of the Property, Borrower shall furnish to Lender current (as of such fiscal year) Financial Statements, operating statements and rent roll for the Property in scope, detail and form reasonably satisfactory to Lender and certified by Borrower to be complete and accurate in all material respects and, the Financial Statements, if required by Lender, shall be certified by an independent certified public accountant selected by Borrower which is satisfactory to Lender.

All Financial Statements of Borrower shall be delivered in duplicate and shall be accompanied by the certificate of the General Partner of Borrower, dated within five (5) days of the delivery of such statements to Lender, stating that the General Partner has no Knowledge of an Event of Default, nor of any event which, after notice or lapse of time, or both, would reasonably be expected to constitute an Event of Default, which has occurred and is continuing, and if an Event of Default has occurred, or such an event which would reasonably be expected to constitute an Event of Default has occurred, specifying the nature and period of existence thereof and what action Borrower has taken or proposes to take with respect thereto, and, except as otherwise specified, stating that Borrower has fulfilled, in all material respects, all of Borrower's obligations under this Agreement which are required to be fulfilled on or prior to the date of such certificate. Borrower shall deliver to Lender, as soon as available, but in no event later than fifteen (15) days after the timely filing thereof with the Internal Revenue Service including any permitted and valid extensions of any filing deadlines, a copy of Borrower's annual tax return for the preceding calendar year.

4.26 Notification of Adverse Changes. Upon Borrower's Knowledge, Borrower shall promptly notify Lender of the occurrence of any event or condition which, if not remedied, would reasonably be expected to result in a material, adverse change to the financial condition of Borrower or would reasonably be expected to materially and adversely affect the value of the Property.

4.27 Indemnification. Borrower agrees to indemnify, defend and hold Lender harmless from and against any and all claims, charges, actions, suits, proceedings, lawsuits, obligations, liabilities, fines, penalties, costs and expenses, including, but not limited to, reasonable attorneys' fees incurred by Lender, alleged by or in favor of Borrower or any principal, partner, stockholder, officer, director, employee or agent thereof, or by or in favor of any broker, realtor, agent or other party claiming brokerage commissions or finder's fees in connection with entering into this Agreement or the transactions contemplated hereby (other than for claims for commissions or fees claimed by persons or parties employed or engaged by Lender), or in connection with making or collecting the Loan or enforcing the Loan Documents, but excluding claims relating to or arising out of the Lender's gross negligence, willful misconduct, or breach of its obligations in the Loan Documents. Borrower shall further indemnify Lender and hold Lender harmless against any and all liabilities (including any and all taxes and special assessments levied against the Property or any improvements, fixtures, or personal property located thereon), obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses, and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Lender, in any way relating to, or arising out of, the Loan Documents or any of the transactions contemplated therein, or the construction and/or operation of the Property (except claims relating to or arising out of the Lender's gross negligence, willful misconduct, or breach of its obligations in the Loan Documents), to the extent that any such indemnified liabilities result, directly or indirectly, from any claims made or actions, suits, or proceedings commenced by or on behalf of any person or entity other than Lender. The obligations and provisions of this paragraph shall continue and remain in full force and effect after the Loan and other obligations of Borrower under this Agreement and under the other Loan Documents have been paid or discharged in full and shall survive the termination of this Agreement and the repayment of the Loan.

4.28 Termination. Lender, at its option, may terminate this Agreement and its obligation to make any Advance upon the occurrence and continuation of any Event of Default.

4.29 Third-Party Agreements; Management Fee. Except for the MOB Lease and as contemplated therein. Borrower shall not execute or enter into any agreement with any third party providing for management or operation of the Property and/or the Improvements without the prior written consent of Lender (which consent shall not be unreasonably withheld, conditioned, or delayed). Lender acknowledges that the Community Hospital Tenant has entered into subleases relating to the Property and the Improvements, and that copies of such subleases have been delivered to the Lender prior to the date hereof.

4.30 Development Agreement. Borrower will not amend or modify the Development Agreement without the prior written consent of Lender.

4.31 Debt Service Requirement. From and after June 17, 2006, and until the Loan is paid in full by Borrower, Borrower shall not allow the Net Operating Income of the Project any calendar quarter to be less than 1.25 times the principal and interest payments then due and payable by Borrower under the Note for the respective designated period in question. In the event that the Net Operating Income falls below such minimum debt service requirement, Borrower shall promptly within ten (10) days of its Knowledge of such non-compliance prepay a portion of the principal balance of the Note so that the debt service requirement is satisfied and maintained.

4.32 Maintenance of Bonds. At all times prior to the Completion Date, Borrower shall cause the Bonds to be maintained and in full force and effect.

ARTICLE V.
EVENTS OF DEFAULT

5.1 Default. Any one or more of the following events shall constitute an "Event of Default" hereunder and under the Loan Documents:

(a) The failure or refusal of Borrower to pay all or any part of the monthly installments of accrued interest or monthly installments of principal and accrued interest of the Note as and when the same become due and payable in accordance with the terms of the Note, and the continuation of such failure or refusal for a period of ten (10) days after the due date thereof or the failure or refusal to pay the unpaid principal balance and accrued but unpaid interest on the Maturity Date (as defined in the Note);

(b) The failure or refusal of Borrower to pay any amounts due and owing to Lender under the Loan Documents (other than the payment of principal or installments of accrued interest under the Note) as the same become due in accordance with the terms of the Loan Documents and the continuation of such failure or refusal for a period of thirty (30) days following written notice thereof from Lender to Borrower;

(c) The failure or refusal of Borrower punctually and properly to perform, observe and comply, in all material respects, with any covenant, agreement or condition

(other than covenants or agreements to pay the indebtedness described in subparagraphs (a) and (b) above) contained in any of the Loan Documents, and the continuation of such failure or refusal for a period of thirty (30) days following written notice thereof from Lender to Borrower or for such additional reasonable period, not to exceed ninety (90) days, as shall be necessary to cure such failure or refusal if not capable of cure within such thirty (30) day period and if Borrower diligently pursues such cure during such thirty (30) day period and thereafter;

(d) The occurrence of an "Event of Default" under and as defined in the Mortgage, and the continuation thereof beyond the expiration of all applicable notice, grace, or cure periods;

(e) A failure by Borrower to deposit the Borrower's Deposit with Lender within thirty (30) days of written request from Lender to do so;

(f) Any representation or warranty made by Borrower to Lender in any of the Loan Documents or any Application for Advance or in any other certificate or document furnished to Lender in connection with the Loan or in furtherance of the requirements of this Agreement or of any other Loan Documents shall be incorrect or misleading in any material respect at the time when made or at the time when reaffirmed or deemed reaffirmed by the terms of this Agreement relating to conditions precedent to Lender's obligation to make Advances;

(g) The Improvements are not in substantial Completion by March 31, 2006;

(h) If a Lien (other than an inchoate Lien for taxes) for the performance of work or the supply of materials or any other Lien, whether for federal, state or local taxes or otherwise is filed against the Property or any part thereof and remains unsatisfied or unbonded and evidence of adequate reserves for payment thereof by Borrower is not provided to Lender as set forth in Section 4.22 hereof and for a period of thirty (30) days after Borrower knows of the filing of such Lien;

(i) If a receiver, liquidator or trustee of Borrower, Guarantor, the Community Hospital Tenant or of the Property or of any substantial portion of Borrower's or Guarantor's properties, shall be appointed; if a petition in bankruptcy or for reorganization or for protection under any Debtor Relief Laws shall have been filed against Borrower or Guarantor and the same is not withdrawn, dismissed, cancelled or terminated within ninety (90) days; if Borrower or Guarantor make a general assignment for the benefit of creditors or files or consent to the filing of a petition in bankruptcy or for protection under any Debtor Relief Laws or commence or consent to the commencement of any proceeding under the Federal Bankruptcy Code or any other federal or state law, now or hereafter in effect, relating to the reorganization of Borrower or Guarantor or the arrangement or rearrangement or readjustment of the debts of Borrower or Guarantor or having the effect of enjoining or staying the exercise of rights or remedies by creditors, it being understood that the filing against Borrower or Guarantor of such a petition by a partner, officer or stockholder of Borrower shall be deemed to be a filing with the consent of Borrower; if there is an attachment or sequestration of or relating to the Property or to

any other substantial portion of any other assets of Borrower or Guarantor and the same is not promptly discharged;

(j) If Borrower shall cause, institute or fail to contest any proceeding for the dissolution or termination of Borrower;

(k) If Borrower ceases to do business or terminates its business as presently conducted for any reason whatsoever;

(l) If any condemnation, eminent domain or other taking proceedings shall have commenced against the Property (or any material portion thereof) which Lender, in its reasonable judgment, believes will materially and adversely affect the value of the Property;

(m) If any event of default shall occur under any of the Loan Documents (as such term may be defined therein), and such event of default shall continue beyond all applicable notice, grace, and cure periods; or

(n) Any representation or warranty made by Guarantor under the Guaranty is incorrect in any material respect or Guarantor is in default of any of Guarantor's non-monetary obligations to Lender under the Guaranty, and Guarantor shall fail to cure such non-monetary default within thirty (30) days following written notice thereof from Lender to Guarantor.

ARTICLE VI.
RIGHTS AND REMEDIES OF LENDER

6.1 Rights of Lender. Upon the occurrence of any one or more Events of Default, Lender shall have the right, in addition to any other right or remedy of Lender under the Loan Documents or at equity or under applicable law, but not the obligation, in its own name or through an agent or in the name of Borrower, to enter into possession of the Property; to perform all work necessary to complete the construction and equipping of the Improvements substantially in accordance with the Plans, Governmental Requirements, and the requirements of any tenant lease approved by Lender; and to do anything necessary or desirable in Lender's sole judgment to fulfill the obligations of Borrower hereunder and under the other Loan Documents, including the right to avail itself of, and procure performance of the Construction Contract and subcontract or to let new or additional contracts with a new general contractor or the same subcontractors or to others; and to employ watchmen and other safeguards to protect the Property. Without restricting the generality of the foregoing, and for the purposes aforesaid, Borrower hereby appoints Lender as the attorney-in-fact of Borrower, with full power of substitution, and in the name of Borrower, if Lender elects to do so, upon the occurrence and continuation beyond any applicable notice, grace, or cure period of an Event of Default, to (a) use such sums as are necessary, including any proceeds of the Loan and the Borrower's Deposit, to make such changes or corrections in the Plans, and employ such architects, engineers, inspectors, rental agents, managers and contractors as may be reasonably required for the purpose of completing the construction of the Improvements substantially in the manner contemplated by the Plans, and

Governmental Requirements, (b) execute all applications and certificates in the name of Borrower which may be required for completion of construction of the Improvements, (c) endorse the name of Borrower on any checks or drafts representing proceeds of the insurance policies, or other checks or installments payable to Borrower with respect to the Property, (d) do every act with respect to the construction of the Improvements which Borrower may do, (e) prosecute or defend any action or proceeding incident to the Property, (f) to do all things reasonably necessary in Lender's reasonable judgment, to complete construction, finishing and equipping of the Improvements and to rent, operate and manage the Improvements, and to pay operating costs and expenses, including management fees, of every kind and nature in connection therewith so that the same shall be operational and usable for its intended purpose, all in the name of Borrower, Lender or both; (g) pay interest when due on all amounts disbursed hereunder (either by adding such interest to the principal balance of the Loan or paying the same in cash); (h) pay, settle or compromise all existing bills and claims which may be or become Liens or security interests, or to avoid such bills and claims becoming Liens against the Property or against fixtures or equipment, or as may be necessary or desirable for the completion of construction or for the equipping and operation of the Improvements; (i) prosecute and defend all actions or proceedings in connection with the Property or any equipment or fixtures; (j) the right, to be exercised in Lenders sole discretion, to terminate any remaining obligations under this Agreement; and (k) apply for and obtain, by appropriate judicial action, appointment of a receiver or receivers for all or any part of the Property as a matter of right, without regard to the sufficiency of the security, without any showing of insolvency, fraud or mismanagement on the part of Borrower and without the necessity of filing judicial proceedings (other than for the appointment of the receiver(s)) to protect or enforce the rights of Lender (and Borrower hereby consents to such appointment). The power-of-attorney granted hereby is a power coupled with an interest and is irrevocable. Lender shall have no obligation to undertake any of the foregoing actions, and if Lender should do so, it shall have no liability to Borrower for the sufficiency or adequacy of any such actions taken by Lender. All reasonable cost and expenses, including all reasonable attorneys' fees in connection with the matters contemplated in this Section 6.1 shall be payable by Borrower on demand, and if not promptly paid, shall be added to the principal of the Loan and shall be secured by all of the Loan Documents. The power-of-attorney granted hereby is a power coupled with an interest and irrevocable by action of Borrower without the joinder of Lender. Lender shall have no obligation to undertake any of the foregoing actions, and if Lender should do so, it shall have no liability to Borrower for the sufficiency or adequacy of any such actions taken by Lender.

6.2 Acceleration. Upon the occurrence of an Event of Default, Lender may, at its option, declare the Loan immediately due and payable upon written notice to Borrower, and Borrower hereby expressly waives, but not by way of limitation, any other notice of default, notice of intent to accelerate and notice of acceleration.

6.3 Cessation of Advances. Upon the occurrence of an Event of Default, the obligation of Lender to make any Advance and to make disbursements from the Borrower's Deposit and all other obligations of Lender hereunder and under the Loan Documents shall at Lender's option, immediately terminate; provided, however, that nothing in this paragraph shall be deemed to limit the other provisions of this Agreement setting forth the conditions precedent to Lender's obligation to make any Advance or the conditions under which Lender may refuse to

make further disbursements or to limit Lender's option to make further Advances at Lender's sole option notwithstanding the occurrence of one or more Events of Default.

6.4 Funds of Lender. Any funds of Lender used for any purpose referred to in this Article VI shall constitute Advances secured by the Loan Documents and shall bear interest at the Default Rate specified in the Note.

6.5 No Waiver or Exhaustion. No waiver by Lender of any of its rights or remedies hereunder, in the other Loan Documents, or otherwise, shall be considered a waiver of any other or subsequent right or remedy of Lender; no delay or omission in the exercise or enforcement by Lender of any rights or remedies shall ever be construed as a waiver of any right or remedy of Lender; and, no exercise or enforcement of any such rights or remedies shall ever be held to exhaust any right or remedy of Lender.

6.6 Performance by Lender. Should any covenant, duty, or agreement of Borrower fail to be performed during the continuation of an Event of Default in accordance with the terms of the Loan Documents, Lender may, at its option, perform, or attempt to perform, such covenant, duty, or agreement on behalf of Borrower. In such event, Borrower shall, at the request of Lender and promptly pay to Lender any amount reasonably expended by Lender in such performance or attempted performance, together with interest thereon at the Default Rate from the date of such expenditure by Lender until paid. Notwithstanding the foregoing, it is expressly understood that Lender does not assume and shall never have, except by express written consent of Lender, any liability or responsibility for the performance of any duties of Borrower hereunder or in connection with all or any part of the Property.

6.7 Use or Operation by Lender. Should all or any part of the Property come into the possession of Lender, Lender may use or operate the same for the purpose of preserving it or its value, or pursuant to the order of a court of appropriate jurisdiction, or in accordance with any other rights held by Lender in respect thereof. The risk of accidental loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for failure to obtain or maintain insurance, or to determine whether any insurance ever in force is adequate as to amounts or as to the risks insured, or for decline in the value of the Property.

6.8 Cumulative Rights. All rights available to Lender under the Loan Documents shall be cumulative of and in addition to all other rights granted to Lender at law or in equity, whether or not any sums be due and payable to Lender and whether or not Lender shall have instituted any suit for collection, foreclosure, or other action in connection with the Loan Documents.

6.9 Acceptance of Assignments and Items Delivered. By acceptance of delivery of copies of, or by taking an assignment of or security interest in, any of the items delivered to or received by Lender pursuant to this Agreement, including, but not limited to, the Plans, Approved Budget, and the Material Agreements, Lender shall not be deemed to have approved same or to have assumed any liability, obligation, or responsibility whatsoever in connection therewith except as expressly stated in the Loan Documents.

6.10 Delegation of Duties and Rights. Lender may exercise any of its duties and/or exercise any of its rights under the Loan Documents by or through its officers, directors, employees, attorneys, agents, or other representatives.

6.11 Lender Not in Control. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Lender the right or power to exercise control over the affairs of Borrower, the power of Lender being limited to the right to exercise the remedies provided in this Article VI and elsewhere in the Loan Documents.

ARTICLE VII.
GENERAL TERMS AND CONDITIONS

7.1 Modifications. No provision of this Agreement or the other Loan Documents may be modified, waived, or terminated except by instrument in writing executed by the party against whom a modification, waiver or termination is sought to be enforced.

7.2 Severability. In case any of the provisions of this Agreement shall for any reason be held to be invalid, illegal, or unenforceable, 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; provided, however, if the disregard of such provision would frustrate the intent and purposes of this Agreement, Lender may petition any court having jurisdiction in equity to render a judgment modifying the disregarded provision(s) of this Agreement so as to carry out such intent and purposes.

7.3 Election of Remedies. Lender shall have all of the rights and remedies granted in the Loan Documents in addition to such rights and remedies that may be available to Lender at law or in equity, and these same rights and remedies shall be cumulative and may be pursued separately, successively, or concurrently against Borrower or any property covered under the Loan Documents at the sole discretion of Lender. The exercise or failure to exercise any of the same shall not constitute a waiver or release thereof or of any other right or remedy, and such exercise or failure to exercise shall be nonexclusive.

7.4 Form and Substance. All documents, certificates, insurance policies, and other items required under this Agreement to be executed and/or delivered to Lender shall be in form and substance satisfactory to Lender and its legal counsel.

7.5 Savings Clause. It is the intention to the parties hereto to comply with all applicable federal and state laws relating to usury; that is, laws limiting changes for the use, detention or forbearance of money and governing contracts relating thereto; accordingly, all agreements between Borrower and Lender, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of the maturity hereof, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the performance or payment of any covenant or obligation contained herein or in any other document evidencing securing or pertaining to the Loan, exceed the Maximum Rate. If from any circumstance whatsoever fulfillment of any provision hereof or of any such other document, at the time performance of such provision shall be due, shall involve

transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Lender shall ever receive anything of value deemed interest by applicable law which would exceed the Maximum Rate, an amount equal to any excessive interest shall be applied to the reduction of the principal amount owing under the Note or on account of any other principal indebtedness of Borrower to Lender, and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of such principal and such other indebtedness, such excess shall be refunded to Borrower. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of the indebtedness of Borrower to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full in such manner as permitted by law so as to avoid any portion of the interest on the Loan becoming usurious. The terms and provisions of this Section 7.5 shall control and supersede every other provision of all agreements between Borrower and Lender in the event of a conflict in such provisions.

7.6 Rights of Third Parties. All conditions of the obligations of Lender hereunder, including the obligation to make Advances, are imposed solely and exclusively for the benefit of Lender and its successors and assigns and no other person or entity shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make Advances in the absence of strict compliance with any or all thereof, and no other person or entity shall, under any circumstances, be deemed to be a beneficiary of this Agreement, any and all of the terms and conditions of which may be freely waived in whole or in part by Lender at any time if in its sole discretion it deems it desirable to do so, and Lender reserves the right to enter into modifications or amendments of this Agreement with Borrower without notification to or the consent of any other party. In particular, Lender makes no representations and assumes no obligations as to third parties concerning the quality of the construction of the Improvements by Borrower or the absence thereof of defects. In this connection Borrower agrees to and shall indemnify, defend and hold harmless Lender from and against any liabilities, claims or losses resulting from the disbursement of the proceeds of the Loan or from the condition of the Property whether related to the quality of construction or otherwise and whether arising during or after the term of the Loan. This provision shall survive the repayment of the Loan and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.

7.7 Evidence of Satisfaction of Conditions. Any condition of this Agreement which requires the submission of evidence of the existence or non-existence of a specified fact or facts implies as a condition the existence or non-existence, as the case may be, of such fact or facts and Lender shall, at all times, be free independently to establish to its reasonable satisfaction such existence or non-existence.

7.8 [Intentionally omitted]

7.9 No Agency. Lender is not the agent or representative of Borrower, and Borrower is not the agent or representative of Lender, and nothing in this Agreement shall be construed to make Lender liable to anyone for goods delivered or services performed upon the Property or for debts or claims accruing against Borrower.

7.10 No Partnership or Joint Venture. Nothing herein nor the acts of the parties hereto shall be construed to create a partnership or joint venture between Borrower and Lender.

7.11 Number and Gender. Whenever used herein, the singular number shall include the plural and the singular, and the use of any gender shall be applicable to all genders. The duties, covenants, obligations, and warranties of Borrower in this Agreement shall be joint and several obligations of Borrower, and of each Borrower if more than one.

7.12 Conflicts. In the event of any conflict between the provisions of this Agreement and those of the Mortgage, the provisions of this Agreement shall govern.

7.13 Time of Essence. Time is of the essence in performance of this Agreement by Borrower.

7.14 Participation. Lender shall have the right, at its sole discretion, to invite participants to participate in or to purchase all or portions of the Loan.

7.15 Further Assurances. Borrower shall do, execute, acknowledge and deliver, at the sole cost and expense of Borrower, all and every such further acts, deeds, conveyances, mortgages, assignments, estoppel certificates, notices of assignment, transfers and assurances as Lender may reasonably require from time to time in order to better assure, convey, assign, transfer and confirm unto the Lender, the rights now or hereafter intended to be granted to the Lender under the Loan Documents for carrying out the intention of facilitating the performance of the terms of this Agreement.

7.16 Captions. The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

7.17 APPLICABLE LAW. THIS AGREEMENT AND THE LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE LAWS OF THE UNITED STATES APPLICABLE TO TRANSACTIONS WITHIN SUCH STATE.

7.18 Notices. All notices pursuant to any provisions of this Agreement or of the other Loan Documents which require the giving of notice as a condition to creating or effectuating an obligation of Borrower to Lender or a right on the part of Lender to exercise rights or remedies against Borrower or any collateral, and any notice by Borrower to Lender to the effect that Lender has not fulfilled one or more of any obligation to Borrower under this Agreement or under any other Loan Documents, must be in writing. Such notice shall be given by messenger, telegram or mail (registered or certified, return receipt requested) effective when received by the party to whom addressed or when delivered to such address, and shall be addressed to the parties at the addresses given below. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving at least ten (10) days written notice thereof in the manner specified in this Section 7.18, Borrower or Lender shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses and each

shall have the right to specify as its address any other address within the United States of America.

If to Lender: Colonial Bank, N.A.
15150 Preston Road
Dallas, Texas 75248
Attention: Denise Cansler
Facsimile No.: 469/791-4507

with a copy to: Liechty & McGinnis, P.C.
7502 Greenville Avenue, Suite 750
Dallas, Texas 75231
Attention: Kevin P. McGinnis, Esq.
Facsimile No.: 214/265-0615

If to Borrower: MPT West Houston Hospital, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Michael G. Stewart, Esq.
Facsimile No.: 205/969-3756

with a copy to: Baker, Donelson, Bearnan, Caldwell & Berkowitz, PC
420 20th Street North, Suite 1600
Birmingham, Alabama 35203-5202
Attention: Thomas O. Kolb, Esq.
Facsimile No.: 205/488-3721

7.19 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one agreement.

7.20 Certain Rules of Construction. No implications or inferences shall be drawn from the deletion from the terms and provisions of this Agreement of any terms or provisions contained in unexecuted drafts of this Agreement. In addition, all parties hereto acknowledge that counsel for same have participated in the preparation of this Agreement and that, therefore, in the event of any ambiguity in, or controversy with respect to the meaning of, any term or provision contained in this Agreement, no presumption shall exist against any party's interpretation of this Agreement solely by reason of such party's or its counsel's participation in the preparation of this Agreement.

7.21 WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF EITHER PARTY OR ANY EXERCISE BY ANY PARTY OF THEIR RESPECTIVE RIGHTS HEREUNDER OR IN ANY WAY RELATING TO THE

LOAN OR THE MORTGAGED PROPERTY (INCLUDING ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, AND ANY CLAIM OR DEFENSE ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER IS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN.

7.22 Exhibits. The following Exhibits and Schedules are attached hereto and made a part hereof for all purposes:

- Schedule 1.54 - Permitted Encumbrances
- Schedule 2.11 (b) - Application for Advance
- Schedule 4.13 - Insurance Coverage
- Schedule 4.14 - Conditional Sale Contracts
- Exhibit A - Property Description
- Exhibit B - Approved Budget

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EXECUTED AND DELIVERED on the date first above recited.

LENDER:

COLONIAL BANK, N.A.

By: /s/ Denise Cansler

Denise Cansler,
Senior Vice President

BORROWER:

MPT WEST HOUSTON HOSPITAL, L.P.,
a Delaware limited partnership

By: MPT West Houston Hospital, LLC,
a Delaware limited liability company,
its General Partner

By: MPT Operating Partnership, L.P.,
a Delaware limited partnership,
its Sole Member

By: /s/ R. Steven Hamner

Name: R. Steven Hamner
Title: EVP. CFO

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

January 5, 2005
Birmingham, Alabama

[PARENTE RANDOLPH, LLC LETTERHEAD]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member
Highmark Healthcare, LLC:

We hereby consent to the incorporation in this Amendment No. 1 to Registration Statement of Medical Properties Trust, Inc. on Form S-11 (333-119957), of our report dated October 18, 2004, relating to the consolidated balance sheet of Highmark Healthcare, LLC as of June 30, 2004.

/s/ Parente Randolph, LLC

Parente Randolph, LLC
Harrisburg, Pennsylvania
January 5, 2005

January 6, 2005

VIA EDGAR

United States Securities and Exchange Commission
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, D.C. 20549
Attention: Owen Pinkerton, Senior Counsel

Ladies and Gentlemen:

On behalf of Medical Properties Trust, Inc. (the "Company" or "we"), enclosed herewith is Amendment No. 1 (the "Amendment") to the Company's Registration Statement on Form S-11, filed with the Securities and Exchange Commission (the "Commission") on October 26, 2004 (the "Registration Statement"). The Company has amended the Registration Statement in response to comments contained in the letter from the Staff of the Division of Corporate Finance of the Commission (the "Staff"), dated November 24, 2004 (the "Comment Letter"), and addressed to Edward K. Aldag, Jr., Chairman, President, Chief Executive Officer and Secretary of the Company. We will separately deliver copies of the Amendment, marked to show changes to the Registration Statement to members of the Staff specified in the Comment Letter. We have also included in that package various supplemental materials referred to as included in our responses below.

The numbered responses below correspond to the numbered paragraphs of the Comment Letter. For convenience of reference, each Staff comment included in the Comment Letter is reprinted below followed by the Company's corresponding response. Page references are to the marked version of the Amendment.

General

1. We note that you intend to elect to be taxed as a REIT and that your offering appears to constitute a "blind-pool" offering. Accordingly, please revise to include prior performance information required under Item 8 and Appendix II of Industry Guide 5 and any other applicable Guide 5 disclosures. Refer to Release 33-6900. If you do not believe your offering constitutes a "blind-pool" offering, please supplementally explain the basis for that belief.

RESPONSE: The Company notes that the Staff's comment refers to Guide 5, which by its terms relates to registration statements covering interests in real estate limited partnerships, although the Company is aware that the Staff has issued a release in which the Staff took the position that Guide 5 may in certain circumstances apply to REITs and other entities. The Company respectfully requests that the Staff reconsider its view that the prior performance information required under Item 8 and Appendix II of Industry Guide 5 and the other disclosure requirements of Guide 5 apply to the Company. The Company is organized as a Maryland corporation. Moreover, as described in the Registration Statement, the Company is a "self-advised" REIT, meaning that the executive officers and directors of the Company will manage its business and affairs without the involvement of any third party advisor or manager. As with a typical publicly-held corporation, the Company's executive officers and directors are compensated through salary, bonus and equity awards, rather than through fees, commissions or other arrangements common to syndicated real estate limited partnerships. Although the Company, through a wholly owned subsidiary, will function as the sole general partner of the operating partnership, the Registration Statement relates to the offering of the Company's shares of Common Stock, par value \$.001 (the "Common Stock") rather than limited partnership interests of its operating partnership. However, where appropriate, the Company will attempt to comply with the provisions of Guide 5 in the interest of enhanced disclosure.

Finally, prior to printing any preliminary prospectus, or red herring, and marketing of the offering, the Company expects to amend the Registration Statement to include disclosure regarding specified uses for a significant percentage of the net proceeds the Company expects to receive from the offering to purchase targeted facilities. Accordingly, the offering is not expected to constitute a "blind pool."

2. Please supplementally provide us with your analysis with respect to the potential for integration of the offers and sales of common stock issued in the private placements described in Item 33 of the registration statement with the public offering of common stock covered by the prospectus, including a discussion of any relevant staff interpretations. In particular, please address the timing of resales that were made by Friedman Billings.

RESPONSE: We supplementally advise the Staff that the offers and sales of the Common Stock issued in the April 2004 private placement are completely separate from the public offering and pursuant to Rule 152 are not integrated with the public offering. The private placement was exempt under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), as well as Rule 506 of Regulation D

thereunder. Set forth below is our analysis for how the sales of shares of common stock sold in the private placement are not integrated with the public offering.

On April 6 and April 7, 2004, the Company sold 21,857,329 shares of common stock in a private unregistered offering to Friedman, Billings, Ramsey & Co., Inc. ("FBR") as initial purchaser pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. FBR subsequently resold 20,244,426 shares of common stock to other investors in accordance with Rule 144A and Regulation

S of the Securities Act, and other available exemptions set forth therein. These resales by FBR were completed on April 7, 2004.

Also on April 7, 2004, the Company sold 3,442,671 shares of common stock in a concurrent private placement directly to other accredited investors pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. FBR acted as placement agent in the concurrent private placement. In addition, on April 7, 2004, the Company issued 260,954 shares of common stock to FBR as payment for financial advisory services pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. These sales and issuances were completed on April 7, 2004.

The Company's sales of common stock described above were all part of a single Regulation D offering which was completed on April 7, 2004. Rule 502(a) of Regulation D provides that offers and sales that are made more than 6 months after completion of a Regulation D offering will not be considered to be part of that Regulation D offering, so long as during the 6 month period there are no offers or sales of securities by or for the issuer that are of the same or a similar class as those offered or sold under Regulation D. The public offering of the Common Stock is deemed to have commenced on October 26, 2004, the filing date of the Registration Statement, which is more than 6 months after the completion of the Regulation D offering. Further, since the date of the completion of the Regulation D offering, there have been no offers or sales of securities by or for the issuer that are of the same or a similar class as those offered or sold under Regulation D. Therefore, the Regulation D offering is not integrated with the public offering of Common Stock.

Further, the private placement of the Common Stock is not integrated with the Company's public offering under Rule 152 of the Securities Act. The Staff has consistently taken the position that an otherwise valid private placement made in reliance on Section 4(2) of the Securities Act or Rule 506 of Regulation D is not integrated with a subsequent offering of the same or similar securities under Rule 152 if the purchaser has completed its investment decision with regard to the private placement before the subsequent public offering is commenced. The Staff has further taken the position that a purchaser has completed its investment decision with regard to a private placement when the purchaser's obligation to purchase the securities is set forth in a binding investment agreement. In this case, the public offering is deemed to commence on October 26, 2004, the filing date of the Registration Statement, and each purchaser of the Common Stock in the private placement made its investment decision by delivering its irrevocable commitment to the Company, subject only to conditions precedent not within the control of the purchaser, on or before April 7, 2004. Since the investment decision of each purchaser with respect to the Common Stock was irrevocably made prior to the filing of the Registration Statement, subject only to conditions outside of the purchasers' control, the issuance of the Common Stock to the purchasers in the private placement is not integrated with the public offering of the Common Stock described in the Registration Statement. See, for example, Squadron, Ellenoff, Pleasant & Leher (avail. February 28, 1992); Black Box, Inc. (avail. June 26, 1990); Vintage Group, Inc. (avail. May 11, 1988); Immune Response Corp. (avail. November 2, 1987); Vulture Petroleum Corporation (avail. February 2, 1987); BBI Associates (avail. December 29, 1986); and Verticom, Inc. (avail. February 12, 1986).

3. In the "Summary " and "Our Business" sections of the prospectus you reference and rely on certain demographic and market data. Please provide us with copies of the relevant portions of the publications that include the information consistent with the statements in the prospectus.

RESPONSE: We advise the Staff that such supporting materials will be provided supplementally as soon as is practicable.

4. We note that throughout the prospectus you use the phrase "we believe" or similar statements with respect to market trends or conditions that support your business strategy. For example, see:

- p. 1 "Industry sources indicate that the U.S. healthcare delivery system is becoming..."
- p. 1 "We believe that this change is the result of..."
- p. 1 "In response to these trends, we believe that..."

- p. 7 We believe that a significant part of this healthcare construction spending..."
- p. 56 "We believe that healthcare services are increasingly delivered through smaller, more accessible facilities..."
- p. 57 "In our experience, the percentage of physicians and other healthcare professionals who practice in a recognized specialty..."
- p. 57 "We believe that healthcare service providers are increasingly seeking to provide specific services."

Please provide supplemental support for these statements.

RESPONSE: We advise the Staff that such supporting materials will be provided supplementally as soon as is practicable.

5. Supplementally, please provide us with any pictures, graphics or artwork that will be used in the prospectus.

RESPONSE: The Company has not yet determined the pictures, graphics and artwork that it intends to use in the prospectus. The Company will supplementally provide such pictures, graphics and artwork to the Staff as soon as practicable after such determination.

6. Please revise to include the market information disclosures required by Item 201(a) of Regulation S-K with respect to the trading of your common stock on the Portal Market or tell us supplementally why you do not believe those disclosures are required.

RESPONSE: We have revised the Registration Statement as requested. See page 87.

7. If the age of your financial statements will be more than 134 days from the effective date of your Registration Statement, please update the financial statements in your next amendment. Refer to Rule 3-12 of Regulation S-X.

RESPONSE: We have updated the Registration Statement as requested. See the financial statements. We have requested updated financial statements from Vibra Healthcare, LLC. We have been advised that they are not yet available. We expect that updated financial statements for Highmark Healthcare, LLC will be available prior to the time that we file the next amendment, and will be included in such amendment. Since the filing of the initial registration statement, Highmark Healthcare, LLC changed its name to Vibra Healthcare, LLC. Accordingly, in all of our responses related to Highmark we will use the term Vibra to reflect what was Highmark Healthcare, LLC.

Prospectus Cover Page

8. We note the disclosure that the risk factors section contains "some of the most significant risks..." The risk factor section should disclose all of the most significant risks relevant to an investment in your common stock. Refer to Item 503 of Regulation S-K. Please revise the sentence accordingly.

RESPONSE: We have revised the Registration Statement on the prospectus cover page as requested.

Summary

9. Please disclose when you purchased the Highmark Facilities, including the material terms of the acquisition. In connection with this, we note a press release dated July 8, 2004, from Highmark Healthcare announcing that it closed on the acquisition of these properties through financing from Medical Properties Trust, Inc. Please advise us as to whether you subsequently acquired these properties from Highmark or whether the press release inaccurately presented the nature of the transaction.

RESPONSE: We have revised the Registration Statement as requested. See page 1. We supplementally advise the Staff that although the July 8, 2004 press release of Vibra could be read to imply that Vibra purchased these facilities and then sold the real estate to the Company, actually Vibra acquired the operations at these facilities from Care Ventures, Inc., an entity not affiliated with the Company, with financing provided by us and we acquired the facilities themselves directly from affiliates of Care Ventures, Inc.

10. We note the disclosure that your strategy distinguishes you as a "unique investment alternative" among REITs. Please supplementally explain how your strategy is unique compared to your REIT competitors in the healthcare REIT sector.

RESPONSE: There are approximately 13 publicly traded REITs that are classified by their management, research analysts and others as "healthcare" REITs. The portfolios of other healthcare REITs are largely comprised of nursing home, long-term care facilities and medical office building assets. None of these REITs is focused almost exclusively on the type of healthcare facilities that require a physician's orders for admittance, as do substantially all of the Company's facilities. Accordingly, we believe that the Company, which focuses principally on facilities in which medicine is practiced and surgery and other medical procedures are performed, provides a unique alternative to those REITs that focus primarily on nursing home, long-term care facilities and other medical office building assets.

11. Please include in the summary a description of your two tenants.

RESPONSE: We have revised the Registration Statement as requested. See page 2.

Acquisition Facilities, page 3

12. We note that the tables disclose "Prospective Tenants" and "Projected Base Rents." Please note that the disclosure of tenants and base rent amounts are not appropriate unless you have a signed lease or binding commitment from such tenants.

RESPONSE: We have revised the Registration Statement as requested. See page 4. We supplementally advise the Staff that we expect to provide this information only with respect to tenants with which we have a signed lease or binding commitment.

Competitive Strengths, page 5

13. Certain of your disclosure under this heading is repeated elsewhere in the summary section. Please revise to remove duplicative disclosure found in the summary section.

RESPONSE: We have revised the Registration Statement as requested. See page 5.

Summary Risk Factors, page 6

14. In the sixth and twelfth bullets, please quantify the risk by disclosing the amounts currently outstanding. Similarly, please quantify the amount of dilution that investors will incur.

RESPONSE: We have revised the Registration Statement as requested. See pages 6 and 7.

15. In the eighth bullet, please briefly state what development and construction risks could adversely affect your ability to make distributions.

RESPONSE: We have revised the Registration Statement as requested. See page 6.

16. Please include summary risk factors regarding the conflicts of interest of the managing underwriter and the market overhang risk created by the resale registration of the shares issued in the private placement.

RESPONSE: We have revised the Registration Statement as requested. See page 6.

17. We note that you are required to file a resale registration statement that includes shares held by the managing underwriter that they acquired as placement agent in connection with the private placement. In the event the resale registration statement becomes effective during the distribution period of your initial public offering, please supplementally advise us of the legal and/or contractual restrictions on the managing underwriter selling its own shares during the distribution period. Include an analysis of the applicability of Regulation M and any contractual restrictions contained in the underwriting agreement or elsewhere.

RESPONSE: We do not anticipate that the resale registration statement will become effective until approximately 60 days after completion of the initial public offering. In the event that the resale registration statement does become effective during the distribution period of the initial public offering, we supplementally advise the Staff that the managing underwriter is bound by the market stand-off provision of the registration rights agreement which will restrict the managing underwriter from selling any of its shares of our common stock under the resale registration statement for 60 days after completion of the initial public offering.

Registration Rights and Lock-Up Agreements, page 10

18. We refer to your statement that all other stockholders who have registration rights, aside from your officers and directors, have agreed to a 60 day lockup period "if so requested by us or the underwriters." Please clarify whether you or the underwriters will make such a request.

RESPONSE: The Registration Statement has been revised as requested. See page 10.

Restrictions on Ownership of Our Common Stock, page 10

19. If the ownership limitation of your charter is more restrictive than the limitations required by the REIT rules, it is not appropriate to attribute your ownership limitation solely to the REIT rules. For example, if your definition of "person" for purposes of calculating ownership does not include the look-through provisions of the REIT rules, then your ownership provisions are more restrictive. Please make conforming changes throughout the prospectus.

RESPONSE: We have revised the Registration Statement as requested. See page 10.

Summary Selected Financial Information, pages 12-15, 42-44

20. Tell us if you consider Medical Properties Trust, LLC to be your predecessor. If so, advise us and consider expanding your disclosure as appropriate, to clarify how your financial results reflect the operations of your predecessor for periods prior to your existence.

RESPONSE: Medical Properties Trust, LLC is considered our predecessor. From its inception through the August 27, 2003 inception of Medical Properties Trust, Inc. it had accumulated no assets, but had incurred approximately \$423,000 in liabilities for costs and expenses of acquisition due diligence, a planned offering of common stock, consulting fees and office overhead. These liabilities were assumed by Medical Properties Trust, Inc. in September 2003 and are included in the audited financial statements as of and for the period ended December 31, 2003. This information is provided in Note 1 to the Company's financial statements included in the registration statement. See page F-17.

21. We note your presentation of adjusted FF0, a non-GAAP measure. Note that the presentation of such measure is subject to all of the provisions of Item 10(e) of Regulation S-K. Tell us how you considered the guidance in Frequently Asked Question #8 Regarding the Use of Non-GAAP Financial Measures for adjustments outside of the NAREIT definition of FF0. Similarly, revise your non-GAAP financial measures presentation on page 49 in MD&A, as appropriate.

RESPONSE: The Company believes that its presentation of adjusted FFO (AFFO) meets the requirements of Item 10(e) of Regulation S-K. Specifically, the Company believes that:

- (A) The Company has presented, with equal prominence, Net Income as the most directly comparable financial measure calculated and presented in accordance with Generally Accepted Accounting Principles (GAAP);
- (B) The Company has presented, with equal prominence, FFO calculated in accordance with the NAREIT definition;
- (C) The Company has presented a reconciliation of Net Income to AFFO, which is quantitative for historical non-GAAP AFFO, and quantitative of pro forma AFFO of the differences between the Net Income and AFFO. The Company has also presented a reconciliation of AFFO to FFO calculated in accordance with the NAREIT definition;
- (D) The Company has included a statement disclosing the reasons why management believes that presentation of AFFO provides useful information to investors regarding the Company's financial condition and results of operations, namely that AFFO is an important measure because our leases generally have significant contractual escalations of base rents and therefore result in recognition of rental income that is not collected until future periods and costs that are deferred; and
- (E) The Company has included a statement disclosing the additional purposes for which management uses AFFO, namely that AFFO is an operating measure that the Company uses to analyze its results of operations based on the receipt, rather than the accrual, of our rental revenue and on certain other adjustments.

The Company also has not:

- (A) Excluded charges or liabilities that required, or will require, cash settlement, or would have required cash settlement absent an ability to settle in another manner, from its presentation of AFFO;
- (B) Adjusted AFFO to eliminate or smooth items identified as non-recurring, infrequent or unusual, when the nature of the charge or gain is such that it is reasonably likely to recur within two years or there was a similar charge or gain within the prior two years;
- (C) Presented AFFO on the face of the Company's financial statements prepared in accordance with GAAP or in the accompanying notes;
- (D) Presented non-GAAP financial measures on the face of any pro forma financial information required to be disclosed by Article 11 of Regulation S-X (17 CFR 210.11-01 through 210.11-03); or
- (E) Used titles or descriptions of non-GAAP financial measures that are the same as, or confusingly similar to, titles or descriptions used for GAAP financial measures.

With respect to Frequently Asked Question #8 Regarding the Use of Non-GAAP Financial Measures, the Company has not eliminated or smoothed an item that can be identified as "recurring" in its presentation of AFFO. The amounts of rents earned, collectible in future periods are those amounts presented in the Company's historical financial statements and pro forma financial statements presented elsewhere in the registration statement.

Risk Factors, page 16

22. The introductory paragraph suggests that there may be material risks that you have not identified. You must disclose all risks that you believe are material at this time.

RESPONSE: We have revised the Registration Statement as requested. See page 15.

23. Please include a risk factor relating to the conflict of interest inherent in the UPREIT structure.

RESPONSE: We have revised the Registration Statement as requested. See page 30.

24. In a few separate risk factor headings you discuss the possibility that certain "forecasts" may not be achieved. Since you are not including specific forecasts in the prospectus, please refrain from using such term.

RESPONSE: We have revised the Registration Statement throughout as requested.

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 successfully and profitably operating our business, page 16.

25. Please disclose the risks "generally associated with the formation of any new business."

RESPONSE: We have revised the Registration Statement as requested. See page 15.

We may be unable to acquire or develop the acquisition facilities we have under contract, which could harm our future operating results and adversely affect our ability to make distributions to our stockholders, page 16.

26. Please provide any examples of losses incurred by you as a result of a failure to complete acquisitions.

RESPONSE: We have revised the Registration Statement as requested. See page 15.

Dependence on our tenants for rent may adversely impact our ability to make distributions to our stockholders, page 17.

27. In your discussion of the difficulty in finding a replacement tenant, please disclose that the transfer of healthcare facilities is regulated and thus may cause further delays in replacing a tenant. In addition, please discuss the fact that the properties themselves may be difficult to re-let since their use may be limited to healthcare facilities and may not be adaptable to other uses.

RESPONSE: We have revised the Registration Statement as requested. See page 16.

We are dependent on our tenants, both of whom are recently organized and have limited or no operating histories, for repayment of loans made to acquire operations and for working capital, and failure by these tenants to meet their obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders, page 18.

28. Please add more detail regarding the financial condition of your two tenants in this risk factor or in the similar risk factor on page 19.

RESPONSE: We have revised the Registration Statement as requested. See page 18.

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, page 19.

29. Please revise this risk factor to reduce the description of the specific terms of your loan commitments. The disclosure is already provided elsewhere in the prospectus and may obscure the discussion of the actual risks created by your use of debt.

RESPONSE: We have revised the Registration Statement as requested. See page 19.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations and our ability to make distributions to our stockholders, page 20.

30. Please disclose how your status as a REIT limits your ability to hedge your interest rate exposure.

RESPONSE: We have revised the Registration Statement to eliminate the statement that our status as a REIT limits our ability to hedge our interest rate exposure. See page 19.

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, page 24.

31. We note that you have obtained Phase I reports on all your properties. If the Phase I reports identified any material issues or suggested remediation or additional investigation, please disclose this.

RESPONSE: We have revised the Registration Statement as requested. See page 23.

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 tenant to make lease payments to us, page 26.

32. Please discuss the potential impact of recent regulations regarding physician referrals and how these regulations may impact your business strategy, including your strategy of co-investing with physicians.

RESPONSE: We have revised the Registration Statement as requested. See page 26.

We depend on key personnel, the loss of any one of whom may threaten our ability to operate our business successfully, page 29.

33. Please identify the specific officers upon whom you are dependent for your success.

RESPONSE: We have revised the Registration Statement as requested. See page 28.

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, page 29.

34. We note you disclose the conflict with Mr. McKenzie as an "example." Please disclose any additional existing conflicts of officers and directors.

RESPONSE: We supplementally advise the Staff that the Company is not aware of any additional conflicts of interest with officers and directors at this time. We have revised the Registration Statement to strike the words "for example." See page 29.

35. Please disclose if there are active negotiations, letters of intent or contacts relating to the development of a facility in which Mr. McKenzie's organization is the tenant. If not, please supplementally advise us of the basis for your estimate of the aggregate investment amount.

RESPONSE: We have revised the Registration Statement as requested. See page 29. We supplementally advise the Staff that although there are no active negotiations with Mr. McKenzie's organization, the Company is basing the aggregate estimated investment amount on previous negotiations with respect to a facility the Company may acquire in the future.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities, page 32.

36. Please specifically describe the limitations imposed by the REIT rules on the amount of activities you may conduct through your TRS.

RESPONSE: We have revised the Registration Statement as requested. See page 32.

You should not rely on the underwriters' lock-up agreements to limit the number of shares of common stock sold into the market, page 34.

37. Please disclose, here and elsewhere, whether FBR has current intention to waive the lock-up restrictions and, if not, what circumstances may cause it to waive the restrictions. If FBR does not expect to require a lock-up period, please revise your disclosure throughout the prospectus to indicate that the lock-up period is unlikely to be requested by the underwriters.

RESPONSE: We have revised the Registration Statement throughout as requested.

We may be affected by conflicts of interest that arise out of contractual relationships with one of our underwriters, page 35.

38. Please provide additional detail on the potential risks created by the managing underwriter's ownership of a substantial amount of your shares, including any effect it may have on the underwriter's due diligence activities. In addition, we note your disclosure that FBR is "one of [y]our largest stockholders." According to your stockholders' table, however, it appears that FBR is your largest stockholder. Please revise or advise.

RESPONSE: We have revised the Registration Statement as requested. See page 34. We supplementally advise the Staff that the underwriters have advised the Company that they do not believe that FBR's substantial ownership of the Company's shares adversely affects ability to perform a thorough due diligence investigation in furtherance of its duties as an underwriter. Each of the Company's underwriters is subject to liability under Sections 11 and 12 of the Securities Act, and therefore conducted the same level of due diligence it would have conducted with respect to any other transaction of this size for which it acts as an underwriter. Consequently, the Company does not believe that any additional disclosure is required with respect to the underwriter's due diligence activities.

Use of Proceeds, page 37

39. Please expand your disclosure to list the properties that you will acquire using the net proceeds from this offering.

RESPONSE: The Company has not yet finally determined the properties which it considers probable of acquisition or development using the net proceeds from this offering. The Registration Statement will be amended as soon as practicable after such determinations have been made and, in any event prior to the time that preliminary prospectuses are printed and marketing of the offering commences.

40. Please disclose the maturity of the secured credit facility. Refer to Item 504 of Regulation S-K.

RESPONSE: We have revised the Registration Statement as requested. See page 37.

Management's Discussion and Analysis of Financial Condition and Results of Operations, page 45.

41. Please disclose management's expectations with respect to the relative scope and importance of the lending business to your overall business strategy. Please disclose the current percentage of your business that relates to leasing and lending, respectively.

RESPONSE: We have revised the Registration Statement as requested. See page 45.

42. Please discuss which business factors management believes will materially influence future results of operations, including, for example, supply side concerns and/or regulatory matters, if applicable.

RESPONSE: We have revised the Registration Statement as requested. See page 46.

Overview, page 45.

43. We refer to the first paragraph under this heading. Please clarify whether the rental rate increases of 1.5% to 3% refer to or are consistent with the properties you own or whether they refer to the current market environment.

RESPONSE: We have revised the Registration Statement as requested. See page 45.

Critical Accounting Policies, page 46

Purchase Price Allocation

44. You state that, "Because our strategy to a large degree involves sale-leaseback transactions with newly-originated leases 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." Generally, sale-leaseback transactions involve the sale of a property by the owner and a lease of the property back to the seller. Please explain to us and expand your disclosures as appropriate to clarify the nature of your transactions.

RESPONSE: Our strategy includes completing traditional sale-leaseback transactions and acquiring facilities from sellers and simultaneously leasing the facilities to third-party operators unrelated to the sellers. We may also acquire land from a seller and develop a facility for lease to a third party operator. In each of these cases, we will negotiate the lease terms with the operators based on existing market conditions and, accordingly we do not expect to acquire facilities subject to existing leases that may have above or below market terms. We have revised the Registration Statement as requested. See page 47.

Results of Operations, page 50

45. Please briefly describe the nature of the unsuccessful acquisition referenced under this heading, including an explanation of the nature of the costs.

RESPONSE: We have revised the Registration Statement as requested. See page 50.

Liquidity and Capital Resources, page 50

46. We refer to your statement that, along with the net proceeds from this offering and additional equity and debt financing which you believe will be available you will be able to fund your cash requirements for the foreseeable future. This appears to imply that, without the additional debt and equity financing, you will be unable to meet your cash requirements. Please advise. In addition, please clearly state whether you will need additional financing, other than the committed facilities that you reference under this heading, in order to meet your cash requirements during the next 12 months.

RESPONSE: We have revised the Registration Statement as requested. See page 50.

47. Please disclose restrictions on the liquidity of your assets, including illiquidity common to most real estate, but also characteristics specific to your target asset type as well as any contractual or regulatory restrictions.

RESPONSE: We have revised the Registration Statement as requested. See page 51.

48. Please disclose your contractual commitments assuming the completion of this offering and the use of the proceeds as described in this prospectus.

RESPONSE: Once our probable acquisitions and developments are identified we will amend the registration statement to reflect our use of proceeds and contractual commitments.

49. Please disclose the source of the funds for the October 11, 2004 distribution. We note that your funds from operations for the six months ended June 30, 2004 were \$(1,561,834). Please disclose what percentage of the distribution was a return of capital.

RESPONSE: We have revised the Registration Statement as requested. See page 52. We have not yet completed our analysis of 2004 GAAP net income and tax basis earnings and profits as of the filing of this Amendment. We will disclose the actual return of capital percentage in a subsequent amendment.

Our Business, page 53

50. Where appropriate, please conform this section to the comments made in the Summary section.

RESPONSE: We have revised the Registration Statement throughout as requested.

Underwriting Process, page 58

51. Please provide additional disclosure on your underwriting process. For example, please disclose whether you have written policies governing the underwriting process, whether you engage third parties to assist in the process, the number of employees dedicated to the process and the most senior member of management active in the underwriting process.

RESPONSE: We have revised the Registration Statement as requested. See page 58.

Asset Management, page 58

52. Please provide specific examples of ways you "work closely with [your] tenants" in order to foster a long-term working relationship and maximize the possibility of new business opportunities.

RESPONSE: We have revised the Registration Statement as requested. See page 59.

Our Formation Transactions, page 59

53. Please disclose why you and your founders agreed to redeem their shares of common stock that were issued at your founding following completion of the private placement offering. In connection with this, please disclose the material terms of the redemption, including the redemption price. We note your disclosure on page 90 that the consideration was "nominal value." Please discuss why the founders would redeem their shares for nominal value.

RESPONSE: We have revised the Registration Statement as requested. See page 59.

Our Operating Partnership, page 60

54. Please disclose the rights of minority limited partners of your property owning limited partnerships, such as MPT West Houston MOB, L.P., including voting and distribution rights.

RESPONSE: We have revised the Registration Statement as requested. See page 60.

MPT Development Services, Inc., page 60

55. Please disclose the limitations imposed by the REIT rules on the amount of activities of your TRS.

RESPONSE: We have revised the Registration Statement as requested. See page 61.

Our Leases, page 60

56. Please disclose what, if any, property expenditures are not paid or reimbursed by the tenant.

RESPONSE: Under the terms of our current leases, all property expenditures are either paid or reimbursed by the tenant. We have revised the Registration Statement to clarify this point. See page 61.

Healthcare Regulatory Matters, page 62

57. We note your disclosure that the Medicare Prescription Drug and Modernization Act of 2003, and the related moratorium on the availability of the Whole Hospital Exception, does not limit a physician's ability to hold an ownership interest in your facilities. Please disclose whether you believe this is still the case where the lease contains a percentage rent provision.

RESPONSE: We have revised the Registration Statement as requested. See page 66.

Our Portfolio, page 66

58. Please include in the property table the 2004 contractual base rent and the rent per square foot or similar metric for 2005. Refer to Item 15 of Form S-11.

RESPONSE: We have revised the Registration Statement to show the annualized base rent for each of the Company's facilities for 2004. See pages 2 and 68. We supplementally advise the Staff that we believe that metrics such as rent per square foot or rent per bed are not relevant, as each facility is master leased to one tenant, and these types of metrics vary significantly based on the type of facility, and the Company believes this disclosure could be misleading.

Highmark Facilities, page 67

59. Please identify the unaffiliated third party from whom you purchased the Highmark Facilities. In addition, please disclose how the purchase price of these properties was determined. We note your disclosure that the replacement cost for each was higher than the appraisal value, but it's not clear how the actual purchase was determined.

RESPONSE: We have revised the Registration Statement as requested. See page 68.

60. Purchase Option. Please disclose the "limited circumstances" in which the tenant will have the right to propose substitute facilities and any parameters regarding the size or base rent of the proposed facilities.

RESPONSE: We have revised the Registration Statement as requested. See page 74.

Bowling Green, Kentucky, page 69

61. We note your disclosure that the Bowling Green, Kentucky facility is 100% leased. Please provide similar disclosure for your other properties.

RESPONSE: We have revised the Registration Statement throughout as requested.

Houston, Texas, page 71

62. Please disclose the expiration date of Stealth's land option relating to the Houston property.

RESPONSE: We have revised the Registration Statement as requested. See page 73.

63. Please disclose any financial or operating covenants related to your loans to Stealth and whether or not the loans are guaranteed. If so, please disclose the guarantor(s).

RESPONSE: We supplementally advise the Staff that there are no financial or operating covenants related to our loans to Stealth. We have revised the Registration Statement as requested to state that the loans are not guaranteed. See page 73.

64. Please disclose the information required by Item 15(g) and (h) of Form S-11 for each of your material properties.

RESPONSE: We have revised the Registration Statement as requested. See pages 70 and 76.

65. Please provide additional disclosure on the mechanics of the Stealth purchase option and right of first offer to purchase, especially the timing of the process.

RESPONSE: We have revised the Registration Statement as requested. See page 74.

Executive Compensation, page 81

66. Please revise the table to include the range of bonuses that may be paid to your officers during 2004. We note, from your footnote disclosure, that the amount included in the table is only the minimum amount of the bonus, and that each bonus may equal the officers' base salary.

RESPONSE: We have revised the Registration Statement as requested. See page 82.

67. Please supplementally advise us of how Friedman Billings only owns 2,826,157 shares. We note your disclosure that they were the initial purchaser of 25,300,000 shares in the private placement and sold 20,244,426 of those shares. In addition they received 260,954 shares in fulfillment of their advisory fee. This would appear to indicate that FBR owned 5,316,528 shares of common stock. Please clarify whether FBR sold additional shares subsequent to the disclosure found in Item 33 of Part II of the registration statement or advise us as to why the share ownership amount reflected in the table on page 87 is lower.

RESPONSE: We supplementally advise the Staff on April 6 and April 7, 2004, the Company sold 21,857,329 shares of common stock in a private unregistered offering to Friedman, Billings, Ramsey & Co., Inc. ("FBR") pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 506 thereunder. FBR subsequently resold 20,244,426 shares of common stock to other investors in accordance with Rule 144A and Regulation S of the Securities Act, and other available exemptions set forth therein. These resales by FBR were completed on April 7, 2004. Also on April 7, 2004, the Company sold 3,442,671 shares of common stock directly to other accredited investors in a concurrent private placement pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 506 thereunder. FBR acted as placement agent in the concurrent private placement. In addition, on April 7, 2004, the Company issued 260,954 shares of common stock to FBR as payment for financial advisory services pursuant to the exemptions from registration set forth in Section 4(2) of the Securities Act and Rule 506 thereunder. These sales and issuances were completed on April 7, 2004. Therefore, as of April 7, 2004, FBR held a total of 1,873,857 shares. Affiliates of FBR subsequently purchased 996,360 shares of Common Stock, thus FBR beneficially owns 2,870,217 shares as of December 31, 2004. We have revised the Registration Statement to add disclosure regarding FBR's beneficial ownership. See page 89.

Registration Rights and Lock-Up Agreements, page 88

68. Please clarify why you state that only "some" of the purchasers in your private offering are eligible to have their shares registered for resale in this offering. In addition, please disclose the number of shares that are subject to the lock-up agreement entered into with "various" holders of your common stock.

RESPONSE: We have revised the Registration Statement as requested. The number of selling stockholders and the number of shares that are or will be subject to a lock-up agreement will be added in a subsequent amendment when that information is available. See page 90.

69. We refer to your statement that the summary of the registration rights agreement is not complete. This implies that material information about the agreement has not been included in the prospectus. Please revise to remove this qualification. This comment applies also to similar language found in the introductory paragraphs on pages 97 and 106 of the prospectus.

RESPONSE: We have revised the Registration Statement throughout as requested.

Certain Relationships and Related Party Transactions, page 90

Our Formation, page 90

70. Please disclose Mr. Bennett's claim in the "Legal Proceedings" section on page 66. Please include the amount Mr. Bennett believes he is owed. In addition, please remove your statement that you believe the claim to be without merit, or state that this belief is based upon the advice of counsel, identify counsel and include, as an exhibit, consent from counsel for this statement.

RESPONSE: We have revised the Registration Statement to include the amount Mr. Bennett believes he is owed and to remove the statement regarding the merit of the claim. We have not revised the Registration Statement to disclose Mr. Bennett's claim in the "Legal Proceedings" section, as the Company believes the disclosure is not required under Item 103 of Regulation S-K, as the claim is not material.

71. Please disclose whether you have written policies regarding transactions between you and your officers and directors. Please clarify whether such transactions require the vote of a majority of your independent and disinterested directors. We note slightly different disclosure on page 96.

RESPONSE: We have revised the Registration Statement as requested. See pages 93 and 98.

Relationship with One of our Underwriters, page 91

72. Please disclose the share ownership of FBR.

RESPONSE: We have revised the Registration Statement as requested. See page 94.

73. We note your disclosure on page 107 that indicates that any operating partnership units to be issued in the future will not be redeemable until one year following the date of issuance unless this period is waived or shortened by the Board of Directors. Please disclose potential reasons why the redemption rights period may be waived or shortened by the Board and tell us supplementally why you do not believe that waiving or shortening of this period may also result in the concurrent issuance of the common stock of the REIT at the same time as the issuance of the OP units.

RESPONSE: We supplementally advise the Staff that the Board of Directors has no present intention to waive or shorten the redemption rights period, however, we cannot predict the circumstances or timing under which the redemption rights period may be waived or shortened. We further advise the Staff, and have disclosed in the Registration Statement, that the operating partnership's partnership agreement provides that, notwithstanding the waiver or shortening of the redemption rights period by the Board of Directors, a limited partner will not be entitled to exercise its redemption rights if the delivery of common stock to the redeeming partner would 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.

United States Federal Income Tax Considerations, page 110

74. We refer to your disclosure that counsel is of the opinion that the company "will be" organized in conformity with the requirements for qualification as a REIT. Please revise to indicate that you have been organized in conformity with the requirements of qualification as a REIT. Counsel should be able to opine on whether you are organized in conformity with the REIT rules.

RESPONSE: We have revised the Registration Statement as requested. See page 112.

75. Please supplementally advise us whether the Baker Donelson opinion filed with the registration statement will include an opinion regarding the treatment of the MPT Development Services loans as straight debt.

RESPONSE: We supplementally advise the Staff that the Baker Donelson opinion filed with the Registration Statement will include an opinion regarding the treatment of the MPT Development Services loans as straight debt.

Underwriting, page 129

76. Please disclose the underwriting compensation and expenses to be paid by the selling stockholders.

RESPONSE: We have revised the Registration Statement as requested. See page 133.

77. Please disclose which expenses of Friedman Billing you will reimburse.

RESPONSE: We have revised the Registration Statement as requested. See page 133.

78. Please disclose that the lockup provisions do not prohibit you from filing a resale registration statement for the shares issued in the private placement.

RESPONSE: We have revised the Registration Statement as requested. See page 134.

79. When available, please provide us with copies of the materials the underwriters plan to use in connection with the directed share program.

RESPONSE: The materials the underwriters plan to use in connection with the directed share program are being provided supplementally to the Staff.

Experts, page 132

80. We note your disclosure that the accountants have not examined any financial forecast, or projection. Please supplementally advise us if the prospectus includes any such information.

RESPONSE: We supplementally advise the Staff that, while the prospectus does not include any financial forecasts or projections, portions of the prospectus disclose information regarding development projects. The reference to "financial forecasts or projections" indicates that the independent public accounting firm does not express any opinion with respect to anticipated results of these development projects.

Financial Statements:

Unaudited Pro Forma Consolidated Financial Information

Adjustments for Unaudited Pro Forma Balance Sheet as of June 30, 2004, page F-7

81. To provide transparency, please consider including a separate column for each transaction depicted in your pro forma financial statements. In this regard, you would separately present the pro forma impact of your acquisitions separately from the adjustments related to your offering. In addition, upon including pro forma information for your Acquisition Facilities, consider including a subtotal column to show the impact of all consummated transactions prior to the columns for the proposed transactions involving the Acquisition Facilities.

RESPONSE: We have revised the pro forma financial statements throughout to include a separate column for each transaction depicted in the pro forma financial statements. We have also revised the pro forma financial statements to include a subtotal column to show the impact of all consummated transactions prior to the columns for the proposed transactions involving the Acquisition Facilities.

82. Reference is made to Note (1). Why are loans made to the operator subsequent to acquisition included in your purchase price allocation?

RESPONSE: Loans made to the operator, either pre or post acquisition, do not affect the purchase price allocation to land, building and intangibles. We have moved the "Total" column to eliminate confusion caused by its previous location. Please also note that we have renumbered the notes to the pro forma financial statements and "old" Note 1 is now Note 8. See page F-9.

83. We note in Note (2) your recordation of pro forma adjustments for the estimated total cost of the development of the Houston community hospital and medical office building as though the project was completed as of June 30, 2004. Tell us how you determined pro forma adjustments that include the effects of real estate properties for periods prior to actual construction or completion are actually supportable. Generally these types of adjustments would be a forecast or projection. Please explain or revise accordingly.

RESPONSE: The pro forma adjustments in Note 2 (now Note 1) are based on the actual cost of land and estimated building costs, architectural and engineering costs and soft costs. Construction, architectural and engineering costs are subject to "not to exceed" fixed price contracts with the general contractor, architects and engineers. These costs, along with the actual cost of land that has already been incurred represent approximately \$53 million of the total budgeted \$62 million development cost. The remaining amounts are substantially and directly related to the determinable land and development costs, and include construction period interest, development and management fees and leasing commissions. The Company believes that based on the cost controls described in this response provide a high level of assurance that the cost of the Houston development will not materially differ from the contracted amounts.

Adjustments for Unaudited Pro Forma, Statements of Operations for the Six Months Ended June 30, 2004 and for the period from Inception (August 27, 2003) through December 31, 2003, pages F-7 and F-9

84. Refer to Note (5) and (13). Tell us your basis in presenting adjustments for the operating results of the Houston community hospital and medical office building as though they were completed and occupied for the periods presented. As part of your consideration, refer to the similar comment above.

RESPONSE: The Company has lease agreements with the operator/lessee of the development referred to in Notes 5 and 13 to the pro forma financial statements included in the registration statement. These lease agreements establish the rent that the lessee will pay, which is based on a fixed percentage of total development cost. Based on the high level of assurance noted in our response to comment no. 83 above, the Company similarly has a high level of assurance that the annual rental income from the completed Houston development will not materially differ from the amounts estimated.

85. We note that you omitted the presentation of pro forma (basic and diluted) earnings per share data on the face of the pro forma statements of operations. Tell us and disclose your basis for their omission or provide them in your next amendment to the Registration Statement on Form S-11 in accordance with Article 11.02(a)(7) of Regulation S-X.

RESPONSE: The Company excluded pro forma basic and diluted earnings per share because the number of shares of common stock to be offered in this offering has not been determined. The Company will include this disclosure in the amendment to the Registration Statement on Form S-11 that presents the number of shares of common stock expected to be offered.

86. We note front page 41 that you declared a dividend of \$0.10 per common share on September 2, 2004. In that regard, explain why you did not have a pro forma adjustment for the dividend declared or revise to include the adjustment in your pro forma financial statements. Refer to SAB Topic 1.B.3.

RESPONSE: The Company has revised its pro forma financial statements throughout to include the \$0.10 per share distribution declared on September 2, 2004. The Company also has revised its pro forma financial statements to include the \$0.11 per share distribution declared on November 11, 2004.

87. Refer to Notes (4), (6), (7), (12), (13), (14) and (15) on pages F-8-F-9. Tell us and disclose as appropriate your assumptions and calculations in deriving the pro forma adjustments to revenue, depreciation expense, estimated interest income earned from loans to Highmark, and compensation expense related to restricted stock awards made to senior management and other employees as part of this offering.

RESPONSE: The Company has revised the Notes to the pro forma financial statements throughout to disclose its assumptions and calculations used in deriving the pro forma revenue adjustments, depreciation expense, estimated interest income earned from loans to Vibra, and compensation expense related to restricted stock awards. For revenue adjustments, the Notes now disclose the annual rent by property, the rent for the period covered by the adjustment, and the period in which the revenue is recognized. For depreciation expense, the Notes now disclose the depreciable base, the depreciation period, the depreciation for the period covered by the adjustment, and the period over which the depreciation is recorded. For estimated interest income earned from the Vibra loans, the Notes now disclose the amount of the loan, the interest rate on the loan, the annual interest to be earned, the interest income for the period covered by the adjustment, and the period over which the income is recorded. For the compensation expense related to the restricted stock awards, the Notes now disclose the number of shares to be awarded and the price per share.

88. To the extent changes to your filing are made as a result of the above comments, appropriate modifications should be made to your Selected Financial Information section on page 14 and elsewhere in the filing as applicable.

RESPONSE: The Selected Financial Information has been modified to reflect all changes made to the pro forma financial statements.

Unaudited Pro Forma Consolidated Balance Sheet December 31, 2003

89. Advise us how your presentation of the unaudited pro forma consolidated balance sheet as of December 31, 2003 complies with Instruction 7(c) of Article 11 of Regulation S-X.

RESPONSE: We supplementally advise the Staff that, while we understand that inclusion of the unaudited pro forma balance sheet as of December 31, 2003 is not specifically required by Regulation S-X, we felt that it was helpful to include the same level of support for the December 31, 2003 pro forma data provided in the summary selected financial information. We further advise the Staff that we expect that the pro forma consolidated balance sheet will be updated through December 31, 2004 prior to the effectiveness of the Registration Statement.

Medical Properties Trust

Note 2. Subsequent Events, page F-15

90. As applicable, consider disclosing the significant terms of your loans to Highmark in this footnote consistent with what you disclosed on page 68 and elsewhere in the filing.

RESPONSE: The Company has revised the Notes to the Consolidated Financial Statements to disclose the interest rate on the loans to Vibra, the payment terms and the security for the loans. See page F-22.

91. Reference is made to your discussion of dividends. Given your accumulated deficit position, tell us why you believe these amounts represent a portion of the Company's profit. If the amounts disclosed represent distributions, that is, payments from cash flow, please revise your disclosures as appropriate to characterize the amounts as such and clarify the tax status of the distribution (i.e. ordinary income, return of capital, etc.).

RESPONSE: We have revised the description of our distributions throughout the Registration Statement. We will disclose the tax character of the distributions in a subsequent amendment.

Note 4. Loan Payable, page F-18

92. Tell us and consider expanding your disclosure to clarify your accounting for the warrant to purchase 35,000 common shares issued to your lender during the second quarter of 2004.

RESPONSE: We have expanded our disclosure to clarify the accounting for the warrant to purchase 35,000 shares. We have disclosed that the warrant became exercisable following the successful completion of the private placement, the intrinsic value of each warrant (calculated as the private placement price per share of common stock of \$10.00 less that exercise price of \$9.30 which is 93% of the private placement price per share) as equal to \$.70. The Company has disclosed the total value of the warrants to be \$24,500 which is the intrinsic value of \$.70 per warrant times 35,000 warrants and that this has been recorded as an addition to additional paid in capital and as interest expense. See page F-22.

Note 6. Future Plans and Policies (Unaudited), page F-21

93. How did you evaluate FIN 46(R) as it relates to your various contractual arrangements with Highmark?

RESPONSE: The Company has added to its disclosure in the Notes to the Consolidated Financial Statements, that the Company has determined that Vibra is a variable interest entity. The Company bases this conclusion on the fact that Vibra (as shown on page F-28) had minimal GAAP equity on its balance sheet at the time of the first transaction and at the time of subsequent transactions with the Company. As described on page 69 and pages F-22 and F-31, the Company has made loans of \$49.1 million to Vibra. The loans from the Company are the primary source of capital for Vibra. The Company next determined that it is not the primary beneficiary of Vibra. This conclusion was based on an evaluation of all variable interests of Vibra and which of these interests would absorb any expected losses. The Company determined that there are two variable interests in Vibra - the loans from the Company and the management fee which the management company receives from Vibra and which is described on page F-70. The management fee is subordinated to the payment of interest and principal on the loans. The Company performed an evaluation of the cash flows of Vibra using various scenarios and probabilities to determine the present value of the probability weighted negative cash flows (the expected losses). The Company then compared the present value of the probability weighted negative cash flows (the expected losses) to the management fee variable interest and determined that the management fee would absorb a majority of the expected losses. Also, as described on page 70 page F-31, the loans to Vibra have been guaranteed by Mr. Hollinger, Vibra, Vibra Management, LLC, and The Hollinger Group. The Company also made qualitative evaluations of its relationship with Vibra. The Company has no management or operating or decision-making authority with respect to Vibra. The Company only has rights under its protective covenants, which are no different than those found in any normal lender/creditor relationship.

94. To the extent that you have equity instruments granted since your inception, please disclose in the notes to the financial statements the following information as applicable:

- For each grant date, disclose the number of options or shares granted, the exercise price, the fair value of the common stock, and the intrinsic value, if any, per option;
- Disclose whether the valuation used to determine the fair value of the equity instruments was contemporaneous or retrospective;
- Indicate whether or not the valuation was performed by an unrelated third party.

In this regard, please disclose in MD&A the aggregate intrinsic value of all outstanding options based on the estimated IPO price.

RESPONSE: The Company has revised its disclosures regarding equity instruments granted since its inception. The Notes to Consolidated Financial Statements now include a table disclosing the number of options at the beginning of the year, the number granted during the period, the number exercised during the period, the number forfeited during the period, and the number outstanding at the end of the period. See page F-24. The Company also has revised its disclosure to show the number of options exercisable at the end of the period and the weighted-average fair value of the options granted during the period. The Company has also revised its disclosures to show the exercise price, the number of options outstanding at that exercise price, the number of options exercisable at that exercise price, and the average remaining contractual life at that exercise price. The Company has revised its disclosures to state that 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. See page F-23. The Company will also revise its MD&A to disclose the intrinsic value of all outstanding options based on the estimated IPO price when that IPO price is determined and disclosed in an amendment to the Registration Statement.

Note 8. Leasing Operations, page F-22

95. You state that lease revenue to be received on the Company's properties currently under development is estimated based on the expected cost of the properties at the end of its construction period. Advise us and expand your disclosure as appropriate to clarify your lease revenue earning process for properties currently under development and your basis in GAAP for your accounting treatment. Also, include the significant terms of the lease contract with Stealth.

RESPONSE: We have revised the Registration Statement as requested. See page F-24.

Highmark Healthcare, LLC and subsidiaries, page F-25

96. Tell us how the inclusion of the Highmark balance sheet satisfies your reporting requirements for significant acquisitions under Regulation S-X. What guidance did you rely upon, and tell us if you considered these transactions to be the acquisition of a business or a property. What factors did you contemplate in determining financial statements of the tenant/lessee is more meaningful than the historical financial statements of the property. Further, in view of the limited operating history of Highmark, why did you consider the financial statements of the tenant more meaningful than financial statements of the guarantor?

RESPONSE: SEC Regulation S-X, Rule 3.05 requires the registrant to include in the registration statement audited financial statements of businesses acquired. Alternatively, Rule 3.14 provides that only audited statements of revenues and certain expenses (adjusted for non-comparable items) be included for acquisitions of properties. Rule 3.05 refers to Rule 11.01(d) for criteria to determine whether a "business" has been acquired. Based on the nature of our arms-length, separate acquisition and lease transactions with the seller and tenant, respectively, and our analysis of Rule 11.01(d), the acquisitions of the six hospital facilities from affiliates of Care Ventures are acquisitions of properties and accordingly, are subject to Rule 3-14 of Regulation S-X.

When the acquired property is immediately leased on a long-term net basis, the SEC Staff takes the position that financial data and other information about the tenant may be more relevant to investors than the financial statements of the acquired property. In that case, the financial statements of the property may be omitted from the filing, but pertinent financial data and other information about the lessee should be furnished. If the purchase price of the property exceeds 20% of the greater of total assets or the amount expected in good faith to be raised within the next twelve months pursuant to an effective registration statement, the Staff believes that audited financial statements of the lessee should be included. See, Division of Corporation Finance: Frequently Requested Accounting and Financial Reporting Interpretations and Guidance, March 31, 2001, <http://www.sec.gov/divisions/corpfin/guidance/cfactfaq.htm>. See also Acorn Property Partners II Limited Partnership (avail. October 3, 1983).

Consistent with this Staff guidance, we believe that information about the tenant is more relevant to investors than historical financial statements of the acquired properties. Furthermore, immediately prior to the time that we acquired the Vibra Facilities, those facilities were owned by Care Ventures, which also operated the hospital businesses at those facilities, and there were no arm's-length lease arrangements. Care Ventures had acquired those hospital businesses from the lessee through foreclosure in 2003 when the lessee defaulted on its obligations to Care Ventures. Since our acquisition of the facilities, the hospital businesses are operated by a party unrelated either to us or the prior owner. Accordingly, historical results of the hospital operations prior to our acquisition and long-term lease of the real estate to a new operator would not be representative of future results.

The guarantor is the individual majority owner of the tenants, and (a) his guaranty is limited to \$5,000,000 and (b) his net worth is substantially comprised of his interest in the tenants and in the management company, the results of which are reflected in the financial statements of the tenants. Notwithstanding the recent organization and absence of assets and operating history, inclusion of the lessees' audited financial statements meets the requirement and the objective of the SEC staff's position. Prospective investors can assess their tolerance to risk of lease default by reference to the lessees' financial statements.

97. Advise us and expand your disclosures as appropriate to clarify why you have aggregated the results of multiple properties/lessees by presenting consolidated Highmark financial statements, rather than including the information on an individual property basis. In this regard, clarify in your footnotes if you had a common guarantor for all properties and whether there are any cross default or cross collateral provisions present for these properties to support your presentation.

RESPONSE: The financial statements reflect the consolidated financial position and results of operations of our tenant, Vibra Healthcare. Each of our leases with Vibra and our loans to Vibra are cross-collateralized and cross-defaulted with one another. Moreover, the management company subsidiary of Vibra has subordinated its management fees to each lease and loan and the guarantor is common to each lease and loan.

98. You state in Note 3 on page F-27 that the sole member of Highmark, an affiliated company owned by the sole member and Highmark Management, LLC have guaranteed the \$49.2 million in notes payable to MPT. We also note from Lease Guaranties and Security section on page 69 that each Highmark lease is guaranteed by Mr. Hollinger, Highmark, Highmark Management, LLC and The Hollinger Group. Please address the following comments as applicable.

- Clarify whether the guarantors for the notes payable and the leases are the same entities.
- Provide the lease guarantee disclosures in your footnote consistent with your disclosures on page 69.
- Advise us and disclose the corresponding guaranteed amounts provided by each of the above affiliated entities.

RESPONSE: Vibra management and Vibra's independent accountants have informed the Company that they consider the disclosures on page F-27 through F-31 to be adequate in describing the nature of the lease and loan guarantees for the June 30, 2004, audited balance sheet. They further believe that the disclosures of this transaction as a subsequent event to the June 30, 2004, balance sheet are adequate. Vibra management and Vibra's independent accountants also have informed the Company that additional disclosures will be made if Vibra must provide more recent financial statements which cover a period of its operations and its financial condition subsequent to June 30, 2004.

99. You state, "...there can be no assurance that Highmark will in fact meet all of its current and future obligations, and that if the obligations are met that Highmark will continue as a going concern?" We also note you

did not include a going concern paragraph in Highmark's audit report. Based on the conditional language in the disclosures, tell us supplementally how it was determined that there is not substantial doubt about Highmark's ability to continue as a going concern and if applicable, Highmark management's plan to mitigate the adverse factors to continue as a going concern. Explain why the audit opinion does not include a going concern paragraph in view of this conditional language.

RESPONSE: Vibra's auditors have advised us that they considered the ability of Vibra to continue as a going concern as a result of the acquisition of four independent rehabilitation hospitals and two long-term acute care hospitals located throughout the United States in July and August 2004. They have advised that Vibra needs to operate the hospitals in a profitable manner to generate cash flow to meet its obligations in the ordinary course of business and that Vibra management's extensive experience in developing, acquiring, managing and operating specialty healthcare facilities was considered and the financial budgets were reviewed. Based upon these considerations, it was concluded that the going concern issue was mitigated. Accordingly, disclosure was made in the notes to the consolidated balance sheet of the conditions and events that initially gave rise to the going concern issue in accordance with paragraph 11 of Statement on Auditing Standards No. 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (SAS 59).

Vibra's auditors have advised us that in accordance with paragraph 12 of SAS 59, the auditor's report does not include a going concern paragraph when an auditor concludes that substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time does not exist.

Part II. Information Not Required in Prospectus

Item 33. Recent Sales of Unregistered Securities

100. Please disclose the time period of the private placement distribution and the factual basis for the claimed exemptions from the Securities Act.

RESPONSE: We have revised the Registration Statement as requested. See page II-1.

Exhibits

101. Please file copies of your legal and tax opinions or provide us with drafts of these opinions so that we have an opportunity to review them. Please also file any material agreements required to be filed under Item 601 of Item S-K.

RESPONSE: We have filed material agreements as exhibits to this Amendment. We will file legal and tax opinions as exhibits to a subsequent amendment to the Registration Statement.

Please do not hesitate to contact the undersigned or, in his absence, Thomas O. Kolb at (205) 250-8321, if you have any questions or comments relating to the Company's response to the Comment Letter.

Very truly yours,

B.G. Minisman, Jr.
of Baker, Donelson, Bearman, Caldwell
& Berkowitz, P.C.

cc: Andrew Mew
Cicely Luckey
Michael McTiernan
Medical Properties Trust, Inc.
Hunton & Williams LLP