Table of Contents

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

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

or

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

Commission file number 001-32559

Medical Properties Trust, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**20-0191742**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*
1000 Urban Center Drive, Suite 501 **Birmingham, AL**	**35242**
(Address of Principal Executive Offices)	*(Zip Code)*

(205) 969-3755
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☑

The aggregate market value of shares of the Registrant's common stock, par value $0.001 per share ("Common Stock"), held by non-affiliates of the Registrant as of June 30, 2007 was approximately $655,917,760. For purposes of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates.

As of March 13, 2008, 53,710,574 shares of the Registrant's Common Stock were outstanding.

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 22, 2008 are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

TABLE OF CONTENTS

- PART I
  - ITEM 1. Business
  - ITEM 1A. Risk Factors
  - ITEM 1B. Unresolved Staff Comments
  - ITEM 2. Properties
  - ITEM 3. Legal Proceedings
  - ITEM 4. Submission of Matters to a Vote of Security Holders
- PART II
  - ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matter, and Issuer Purchases of Equity Securities
  - ITEM 6. Selected Financial Data
  - ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
  - ITEM 7A Quantitative and Qualitative Disclosures about Market Risk
  - ITEM 8. Financial Statements and Supplementary Data
- Consolidated Balance Sheets
- Consolidated Statements of Operations
- Consolidated Statements of Stockholders' Equity For the Years Ended December 31, 2007, 2006 and 2005
- Consolidated Statements of Cash Flows
- Notes To Consolidated Financial Statements
  - ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
  - ITEM 9A. Controls and Procedures
- Report of Independent Registered Public Accounting Firm
  - ITEM 9B. Other Information
- PART III
  - ITEM 10. Directors, Executive Officers and Corporate Governance
  - ITEM 11. Executive Compensation
  - ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
  - ITEM 13. Certain Relationships and Related Transactions, and Director Independence.
  - ITEM 14. Principal Accountant Fees and Services.
- PART IV
  - ITEM 15. Exhibits and Financial Statement Schedules.
- SIGNATURES
- SCHEDULE III -- REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
- SCHEDULE IV -- MORTGAGE LOAN ON REAL ESTATE MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES
- INDEX TO EXHIBITS
- EX-10.57 REVOLVING CREDIT AGREEMENT
- EX-10.58 SECOND AMENDMENT TO EMPLOYMENT AGREEMENT
- EX-10.59 FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
- EX-10.60 FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
- EX-10.61 FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
- EX-10.62 FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
- EX-21.1 SUBSIDIARIES OF THE REGISTRANT
- EX-23.1 CONSENT OF KPMG LLP
- EX-23.2 CONSENT OF MOSS ADAMS LLP
- EX-31.1 SECTION 302, CERTIFICATION OF THE CEO
- EX-31.2 SECTION 302, CERTIFICATION OF THE CFO
- EX-32 SECTION 906, CERTIFICATION OF THE CEO AND CFO
- EX-99.1 CONSOLIDATED FINANCIAL STATEMENTS
- EX-99.2 CONSOLIDATED FINANCIAL STATEMENTS

A WARNING ABOUT FORWARD LOOKING STATEMENTS

We make forward-looking statements in this Annual Report on Form 10-K that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. Statements regarding the following subjects, among others, are forward-looking by their nature:

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

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

- the factors referenced in this Annual Report on Form 10-K, including those set forth under the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations;” and “Our Business”.
- 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.

Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained in this Annual Report on Form 10-K to reflect future events or developments.

PART I

ITEM 1. *Business*

Overview

We are a self-advised real estate investment trust that acquires, develops, leases and makes other investments in healthcare facilities providing state-of-the-art healthcare services. We lease our facilities to healthcare operators pursuant to long-term net-leases, which require the tenant to bear most of the costs associated with the property. We also make long-term, interest only mortgage loans to healthcare operators, and from time to time, we also make operating, working capital and acquisition loans to our tenants.

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 one of our founders in December 2002. We conduct substantially all of our business through our subsidiaries, MPT Operating Partnership, L.P., and MPT Development Services, Inc. References in this Annual Report on Form 10-K to “Medical Properties Trust,” “Medical Properties,” “we,” “us,” “our,” and the “Company” include Medical Properties Trust, Inc. and our subsidiaries.

Since April 2004, we have issued at various times approximately 50.7 million shares of common stock for net proceeds of approximately $539.8 million. At March 1, 2008, we have approximately $934.7 million invested in healthcare real estate and related assets.

Our investment in healthcare real estate, including mortgage loans and other loans to certain of our tenants, is considered a single reportable segment as further discussed in our Consolidated Financial Statements, Note 2 — Summary of Significant Accounting Policies, in Part II, Item 8 of this Annual Report on Form 10-K. All of our investments are located in the United States, and we have no present plans to invest in non-U.S. markets in the foreseeable future.

During 2007, we:

- invested approximately $316 million in new healthcare real estate assets;
- reduced exposure to Vibra Healthcare to 31% of total revenue from 55% of total revenue in 2006;
- sold 12.2 million shares of common stock for net proceeds of $179.1 million or $14.66 per share, net of underwriters discount and offering expenses; and
- completed agreements for two new credit facilities which provide for new borrowings of up to $262.0 million.

Portfolio of Properties

As of December 31, 2007, our portfolio consisted of 28 properties: 25 facilities which we own are leased to eight tenants and the remaining in the form of mortgage loans to two operators. Our owned facilities consisted of 12 general acute care hospitals, 9 long-term acute care hospitals, and 4 inpatient rehabilitation hospitals. The non-owned facilities on which we have made mortgage loans consist of general acute care facilities. We intend to continue to focus on investments in licensed hospitals as our primary line of business.

Outlook and Strategy

Our strategy is to lease the facilities that we acquire or develop to experienced healthcare operators pursuant to long-term net leases. Alternatively, we have structured certain of our investments as long-term, interest only mortgage loans to healthcare operators, and we may make similar investments in the future. 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 but are not limited to: physical rehabilitation hospitals, long-term acute care hospitals, and regional and community hospitals.

Our Leases and Loans

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. Similarly, borrowers under our mortgage loan arrangements retain the responsibilities of ownership, including physical maintenance and improvements and all costs and expenses. Our leases and loans also provide that our tenants will indemnify us for environmental liabilities. Our current leases and loans have initial terms of 10 to 15 years and provide for annual rent or interest escalation and, in some cases, percentage rent.

Significant Tenants

At March 1, 2008, we have leases with eight hospital operating companies covering 25 facilities and we have mortgage loans to two hospital operating companies. Vibra Healthcare, LLC (“Vibra”) leases eight of our facilities. Total revenue from Vibra in 2007 was approximately $30.1 million, or 31.3% of total revenue. We expect that the percentage of revenue we earn from Vibra in 2008 will be substantially less than that in 2007 because our 2007 acquisitions and our anticipated near-term future acquisitions are expected to diversify our portfolio by adding new tenants. Although we expect to make additional investments in Vibra-operated properties in the foreseeable future, we believe that our Vibra revenue will continue to decline relative to our total revenue.

At March 1, 2008, affiliates of Prime Healthcare Services, Inc. (“Prime”) lease seven of our facilities and we have mortgage loans on two facilities owned by affiliates of Prime. Total revenue from Prime affiliates in 2007 was approximately $24.9 million, or 25.9% of total revenue. As of December 31, 2007, expected annual revenue from Prime represented 34% of total expected annual revenues. It is likely that we will make additional investments in Prime affiliated properties in the foreseeable future.

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 remediate hazardous or toxic substances or petroleum product releases or threats of releases. Such laws also impose certain obligations and liabilities on property owners with respect to asbestos containing materials. These laws may impose remediation 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. Investigation, remediation 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.

Generally, prior to completing any acquisition or closing any mortgage loan, we obtain Phase I environmental assessments in order to attempt to identify potential environmental concerns at the facilities. These assessments are carried out in accordance with an appropriate level of due diligence and 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.

Competition

We compete in acquiring and developing facilities with financial institutions, other lenders, 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 invest in or develop facilities;

- many of our competitors have greater financial and operational resources than we have;
- our competitors or other entities may pursue a strategy similar to ours; and
- some of our competitors may have existing relationships with our potential customers.

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 healthcare facilities from time to time.

Healthcare Regulatory Matters

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

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

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

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

Federal Physician Self-Referral Statute. Any physicians investing in our company or its subsidiary entities could also be subject to the Ethics in Patient Referrals Act of 1989, or the Stark Law (codified at 42 U.S.C. §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 monetary 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, the Centers for Medicare & Medicaid Services (CMS) published the "Phase I" final rule, which finalized a significant portion of the 1998 proposed rule. On March 26, 2004, CMS issued the second phase of its final regulations addressing physician referrals to entities with which they have a financial relationship (the "Phase II" rule). The Phase II rule addresses and interprets a number of exceptions for ownership and compensation arrangements involving physicians, including the exceptions for space and equipment rentals and the exception for indirect compensation arrangements. The Phase II rule also includes exceptions for physician ownership and investment, including physician ownership of rural providers and hospitals. The new regulation revised the hospital ownership exception to reflect the 18-month moratorium that began December 8, 2003 on physician ownership or investment in specialty hospitals, which was enacted in Section 507 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The Phase II rule became effective on July 26, 2004. The moratorium imposed by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 expired on June 8, 2005. However, that moratorium was retroactively extended by the passage of the Deficit Reduction Act of 2005 (the "DRA") which requires the Secretary of Health and Human Services to develop a strategic and implementing plan for physician investment in specialty hospitals that addresses the issues of the report is due six months after the date of enactment, but this deadline may be extended by two months. The DRA also directs CMS to continue the moratorium on enrollment of specialty hospitals until the earlier of the date the report is submitted or six months after enactment of the DRA. On August 8, 2006, CMS published the final report and the moratorium expired. However, CMS continues to scrutinize physician investments in specialty hospitals. CMS has stated its intention to require certain specialty and other hospitals to provide detailed information regarding their financial arrangements with physicians. CMS will use this information to review those arrangements for compliance with the Stark Law.

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

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

Recent Regulatory and Legislative Developments. The DRA was signed by President Bush on February 8, 2006, and is expected to reduce Medicare spending by $6.0 billion over the next five years and cut Medicaid spending by $5.0 billion over the same time frame. A clerical error during the legislative process, however, raises some concerns over the validity of the DRA because the United States House of Representatives never voted on the version approved by the Senate and ultimately signed by the President. Legal challenges may arise as a result of this technicality, challenging the DRA. Nonetheless, CMS has already begun implementing portions of the DRA. Medicare Part A pays for hospital inpatient operating and capital related costs associated with acute care hospital inpatient stays on a prospective basis. Pursuant to this inpatient prospective payment system, or IPPS, CMS categorizes each patient case according to a list of diagnosis-related groups, or DRGs. Each DRG has an assigned payment that is based upon the expected amount of hospital resources necessary to treat a patient in that DRG. On August 22, 2007, CMS published a Final Rule with comment period for IPPS for fiscal year 2008. The Final Rule includes a 3.5% increase in payment rates, a number of changes to the DRGs and enhancements to the voluntary quality reporting program. Hospitals are required to submit certain clinical data on ten quality measures in order to receive full payment for fiscal year 2008. CMS expects aggregate payments to IPPS hospitals to increase by $3.8 billion over the previous year. The changes are expected to increase payment to those hospitals treating more severely ill and costlier patients.

CMS continues to make changes to its prospective payment system for inpatient rehabilitation facilities, or IRFs. The Final Rule updates payment rates and modifies certain payment policies. Under the Final Rule, approximately 1,220 IRFs will receive increased Medicare payments of approximately $150 million. The Final Rule also includes a 3.2% market basket increase and increases the outlier threshold for cases with unusually high costs from $5,534 in fiscal year 2007 to $7,362 for fiscal year 2008. In addition, the Final Rule updates the IRF prospective payment system wage index.

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. The Deficit Reduction Act of 2005 extends the phase-in period of the “75 percent rule” for one additional year. The 60% threshold remains in effect until June 30, 2007. In fiscal year 2007, the threshold is 65% and beginning in fiscal year 2008, the threshold is 75%. On December 29, 2007, President Bush signed legislation permanently freezing at 60% the threshold amount. Also, currently, IRFs, in addition to considering a patient’s primary diagnosis, are able to consider comorbidities for purposes of determining compliance with the 75 percent rule. However, for cost reporting periods beginning on or after July 1, 2008, IRFs will no longer be able to consider comorbidities when making such determinations.

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

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

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

Finally, the Act assures inpatient hospitals that submit certain quality measure data a full inflation update equal to the hospital market basket percentage increase for fiscal years 2005 through 2007. The market basket percentage increase refers to the anticipated rate of inflation for goods and services used by hospitals in providing services to Medicare patients. For fiscal year 2005, the market basket percentage increase for hospitals paid under the inpatient prospective payment system is 3.3%. For those inpatient hospitals that do not submit such quality data, the Act provides for an update of market basket minus 0.4 percentage points. The DRA expands the provision of the Act tying inpatient reimbursement to hospitals' reporting on certain quality measures. Hospitals not submitting the data will not receive the full market basket update. The DRA requires the Secretary of Health and Human Services to add other quality measures to be reported on by hospitals. Beginning in fiscal year 2007, the market basket updates for hospitals that fail to provide the quality data will be reduced by 2%. CMS has reported that a significant majority of hospitals will receive the full market basket update for fiscal year 2008 because they have met the quality reporting requirements.

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

The moratorium imposed by the Act expired on June 8, 2005. However, that moratorium was retroactively extended by the passage of the DRA which requires the Secretary of Health and Human Services to develop a strategic and implementing plan for physician investment in specialty hospitals that addresses the issues of proportionality of investment return, bona fide investment, annual disclosure of investments, and the provision of medical assistance (Medicaid) and charity care. The report is due six months after the date of enactment, but this deadline may be extended by two months. The DRA also directs CMS to continue the moratorium on enrollment of specialty hospitals until the earlier of the date the report is submitted or six months after enactment of the DRA. The final report was published on August 8, 2006, at which time the moratorium expired. Despite the expiration of the moratorium, specialty hospitals are expected to remain under heightened scrutiny.

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

The California Department of Health Services recently adopted regulations, codified as Sections 70217, 70225 and 70455 of Title 22 of the California Code of Regulations, or CCR, which establish minimum, specific, numerical licensed nurse-to-patient ratios for specified units of general acute care hospitals. These regulations are effective January 1, 2004. The minimum staffing ratios set forth in 22 CCR 70217(a) co-exist with existing regulations requiring that hospitals have a patient classification system in place. The licensed nurse-to-patient ratios constitute the minimum number of registered nurses, licensed vocational nurses, and, in the case of psychiatric units, licensed psychiatric technicians, who shall be assigned to direct patient care and represent the maximum number of patients that can be assigned to one licensed nurse at any one time. Over the past several years many hospitals have, in response to managed care reimbursement contracts, cut costs by reducing their licensed nursing staff. The California Legislature responded to this trend by requiring a minimum number of licensed nurses at the bedside. Due to this new regulatory requirement, any acute care facilities we target for acquisition or development in California may be required to increase their licensed nursing staff or decrease their admittance rates as a result. Governor Schwarzenegger issued two emergency regulations in an attempt to suspend the ratios in emergency rooms and delay for three years staffing requirements in general medical units. However, this action was appealed and on June 7, 2005, the Superior Court overturned the two emergency regulations. The Schwarzenegger administration appealed that ruling; however, the Governor withdrew the appeal in November 2005. In addition, California also recently adopted cuts to the state's Medicaid program referred to as Medi-Cal totaling $1.6 billion. Reimbursement rates for providers are expected to be cut by 10 percent and are expected to produce $47.6 million in savings for the state.

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. On January 27, 2006, CMS published a proposed rule provides for no increase in the Medicare payment rates for long-term care hospitals for patient discharges between July 1, 2006 and June 30, 2007. CMS is also proposing to adopt the Rehabilitation, Psychiatric and Long-Term Care ("RPL") market basket to replace the excluded hospital with capital market basket that is currently used as the measure of inflation for calculating the annual update to the long-term care hospital prospective payment rate. The RPL market basket is based on the operating and capital costs of inpatient rehabilitation facilities, inpatient psychiatric facilities, and long-term care hospitals. CMS is also proposing to revise the labor-related share based on the RPL market basket from 72.855% (based on the excluded hospital with capital market basket) to 75.923%. CMS is accepting comments on the proposed rule until March 20, 2006. We do not know whether the proposed rule will be adopted without change.

The Balanced Budget Act of 1997, or BBA, mandated implementation of a prospective payment system for skilled nursing facilities. Under this prospective payment system, and for cost reporting periods beginning on or after July 1, 1998, skilled nursing facilities (SNFs) are paid a prospective payment rate adjusted for case mix and geographic variation in wages formulated to cover all costs, including routine, ancillary and capital costs. In 1999 and 2000 the BBA was refined to provide for, among other revisions, a 20% add-on for 12 high acuity non-therapy Resource Utilization Grouping categories, or RUG categories, and a 6.7% add-on for all 14 rehabilitation RUG categories. These categories may expire when CMS releases its refinements to the current RUG payment system. On August 4, 2005, CMS published a Final Rule updating skilled nursing facility payment rates for fiscal year 2006. The Final Rule eliminates the temporary add-on payments that Congress directed in the Balanced Budget Refinement Act of 1999 and introduces nine (9) new payment categories. The Final Rule also permanently increases rates for all RUGs to reflect variations in non-therapy ancillary costs. Further, fiscal year 2006 payment rates include a market basket update increase of 3.1%, a slight increase over what had been anticipated in the Proposed Rule. In addition, the Final Rule contains policy changes including the adoption of new labor market area definitions which are based on the new Core Based Statistical Areas announced by the Office of Management and Budget, or OMB, late in 2000. The Deficit Reduction Act of 2005 reduces payments to skilled nursing faculties for certain bad debt attributable to Medicare coinsurance for beneficiaries who are not dual eligibles. On August 3, 2007, CMS published a final rule regarding prospective payment system for SNFs. Pursuant to the final rule, SNFs will receive an increase of 3.3%, which amounts to approximately $690 million in fiscal year 2008. The final rule also revises the SNF market-basket, moving the base year from 1997 to 2004. On December 29, 2007, President Bush signed legislation that contained an extension to June 30, 2008 of the nursing home therapy cap exception.

Beginning January 1, 2007, the Deficit Reduction Act of 2005 caps payment rates for services provided in ambulatory surgery centers at the amounts paid for the same services in hospital outpatient departments under the OPPS. This provision is effective until the Secretary of Health and Human Services establishes a revised payment system for ambulatory surgery centers as required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. In January 2008, CMS proposed paying long term care hospitals approximately $4.44 billion under the PPS for RY 2009. This includes a proposed increase of 2.6% compared with RY 2008. Under the final rule for RY 2008, CMS had lowered payments by 3.8%. CMS is proposing to change the annual update schedule to coincide with other classification systems, thus, as proposed, the RY 2009 would be effective for 15 months, from July 1, 2008 through September 30, 2009.

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

Insurance

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

Employees

We have 26 employees as of March 1, 2008. We believe that any adjustments to the number of our employees will have only immaterial effects on our operations and general and administrative expenses. We believe that our relations with our employees are good. None of our employees are members of any union.

Available Information

Our website address is www.medicalpropertiestrust.com and provides access in the "Investor Relations" section, free of charge, to our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, and all amendments to these reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. Also available on our website, free of charge, are our Corporate Governance Guidelines, the charters of our Ethics, Nominating and Corporate Governance, Audit and Compensation Committees and our Code of Ethics and Business Conduct. If you are not able to access our website, the information is available in print free of charge to any shareholder who should request the information directly from us at (205) 969-3755.

ITEM 1A. *Risk Factors*

RISKS RELATED 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 were organized in 2003 and thus have a limited operating history. We first elected REIT status for our taxable year ended December 31, 2004. We are subject to the risks generally associated with the formation of any new business, including unproven business models, uncertain market acceptance and competition with established businesses. Our management has limited experience in operating a REIT and a public company. Therefore, you should be especially cautious in drawing conclusions about the ability of our management team to execute our business plan.

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

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

We may be unable to access capital, which would slow our growth.

Our business plan contemplates growth through acquisitions and development of facilities. As a REIT, we are required to make cash distributions, which reduce 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, such as the dislocations in the credit markets beginning in 2007, there may 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 payments of rent and interest may adversely impact our ability to make distributions to our stockholders.

We expect to continue 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 under leases or interest payments from operators under mortgage loans we have made to them 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, operator or guarantor, could have a material adverse effect on our ability to collect rent and interest payments and, accordingly, on our ability to make distributions to our stockholders. Facility management by our tenants and their compliance with state and federal healthcare laws could have a material impact on our tenants' operating and financial condition and, in turn, their ability to pay rent and interest to us.

It may be costly to replace defaulting tenants and we may not be able to replace defaulting tenants with suitable replacements on suitable terms.

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 and loans with that tenant and enforce the payment obligations under the lease. The process of terminating a lease with a defaulting tenant and repossessing the applicable facility may be costly and require a disproportionate amount of management's attention. In addition, defaulting tenants or their affiliates may initiate litigation in connection with a lease termination or repossession against us or our subsidiaries. For example, in connection with our termination of leases relating to the Houston Town and Country Hospital and Medical Office Building in late 2006, we were subsequently named as one of a number of defendants in lawsuits filed by various affiliates of the defaulting tenant. Resolution of these types of lawsuits in a manner materially adverse to us may adversely affect our financial condition and results of operations. If a tenant-operator defaults and we choose to terminate our lease, 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.

Our revenues are dependent upon our relationship with, and success of, Vibra and Prime.

As of December 31, 2007, we owned 25 facilities which were being operated by eight operators, and we had mortgage loans to two operators. Vibra Healthcare, LLC, or Vibra, leased eight of our facilities, representing 21.6% of the original total cost of our operating facilities and mortgage loans as of December 31, 2007, and affiliates of Prime Healthcare Services, Inc. leased or mortgaged nine facilities, representing 39.6% of the original total cost of our operating facilities and mortgage loans as of December 31, 2007. Total revenue from Vibra and Prime, including rent, percentage rent and interest, was approximately $30.1 million and $24.9 million, respectively, or 31.3% and 25.9%, respectively, of total revenue from continuing operations in the year ended December 31, 2007.

In 2007, we completed transactions with Prime for approximately $243.0 million. We may pursue additional transactions with Vibra or Prime in the future. Our relationship with Vibra and Prime, and their respective financial performance and resulting ability to satisfy their lease and loan obligations to us are material to our financial results and our ability to service our debt and make distributions to our stockholders. We are dependent upon the ability of Vibra and Prime to make rent and loan payments to us, and their failure or delay to meet these obligations would have a material adverse effect on our financial condition and results of operations.

Accounting rules may require consolidation of entities to which we have made loans and other adjustments to our financial statements.

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

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

Our facilities are currently leased to only eight tenants, five of which were recently organized and have limited or no operating histories, and failure of any of these tenants and the guarantors of their leases to meet their obligations to us would have a material adverse effect on our revenues and our ability to make distributions to our stockholders.

Our existing facilities are currently leased to Vibra, Post Acute, Prime, Healthcare Partners of America (HPA), Gulf States, North Cypress, Bucks County Oncoplastic Institute ("BCO") and Monroe Hospital or their subsidiaries or affiliates. If any of our tenants were to experience financial difficulties, the tenant may not be able to pay its rent. Vibra, North Cypress, BCO and Monroe Hospital were recently organized and have limited or no operating histories.

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

Our use of debt financing will subject us to significant risks, including refinancing risk and the risk of insufficient cash available for distribution to our stockholders.

As of December 31, 2007, we had $480.5 million of debt outstanding. As of March 1, 2008, we have approximately $402.7 million of debt outstanding. We may borrow from other lenders in the future, or we may issue debt securities in public or private offerings and our organizational documents do not limit the amount of debt we may incur.

Most of our current debt is, and we anticipate that much of our future 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.

As of December 31, 2007, we had approximately $220.8 million in variable interest rate debt ($142.8 million at March 1, 2008). 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 our results of operations and our ability to make distributions to our stockholders.

Most of our current tenants have, and prospective tenants may have, an option to purchase the facilities we lease to them which could disrupt our operations.

Most of our current tenants have, and some prospective tenants will have, the option to purchase the facilities we lease to them. We cannot assure you that the formulas we have developed for setting the purchase price will yield a fair market value purchase price. Any purchase not at fair market value may present risks of challenge from healthcare regulatory authorities.

In the event our tenants and prospective tenants determine to purchase the facilities they lease either during the lease term or after their expiration, the timing of those purchases will be outside of our control and we may not be able to re-invest the capital on as favorable terms, or at all. 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.

RISKS RELATING TO REAL ESTATE INVESTMENTS

Our real estate and mortgage investments are and will continue to be concentrated in healthcare facilities, making us more vulnerable economically than if our investments were more diversified.

We have acquired and have developed and have made mortgage investments in and expect to continue acquiring and developing and making mortgage investments in 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 healthcare facilities. A downturn in the real estate industry could materially adversely affect the value of our facilities. A downturn in the healthcare industry could negatively affect our tenants' ability to make lease or loan payments to us and, consequently, our ability to meet debt service obligations or make distributions to our stockholders. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of healthcare facilities.

Our 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 expect to 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 have completed development and construction of four facilities which are now in operation. We expect to develop additional facilities in the future. Our development and related construction activities may subject us to the following risks:

- we may have to compete for suitable development sites;
- our ability to complete construction is dependent on there being no title, environmental or other legal proceedings arising during construction;
- we may be subject to delays due to weather conditions, strikes and other contingencies beyond our control;
- we may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy healthcare regulatory and other required governmental permits and authorizations, which could result in increased costs, delays in construction, or our abandonment of these projects;
- we may incur construction costs for a facility which exceed our original estimates due to increased costs for materials or labor or other costs that we did not anticipate; and
- we may not be able to obtain financing on favorable terms, which may render us unable to proceed with our development activities.

We expect to fund our development projects over time. The time frame required for development and construction of these facilities means that we may have to wait years for a significant cash return. In addition, our tenants may not be able to obtain managed care provider contracts in a timely manner or at all. 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 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 The purchase prices of these facilities will be based in part upon projections by management as to the expected operating results of the facilities, subjecting us to risks that these facilities may not achieve anticipated operating results or may not achieve these results within anticipated time frames.

If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose investment capital and anticipated profits.

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

Capital expenditures for facility renovation may be greater than anticipated and may adversely impact rent payments by our tenants and our ability to make distributions to stockholders.

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

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 manage, 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 or developed or on which we have made mortgage loans 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 contamination and liabilities may exist of which we are unaware.

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

Our interests in facilities through ground leases expose us to the loss of the facility upon breach or termination of the ground lease and may limit our use of the facility.

We have acquired interests in three of our facilities, at least in part, by acquiring leasehold interests in the land on which the facility is located rather than an ownership interest in the property, and we may acquire additional facilities in the future through ground leases. As lessee under ground leases, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease. Ground leases may also restrict our use of facilities. Our current ground lease in Marlton, New Jersey limits use of the property to operation of a 76 bed rehabilitation hospital. Our current ground lease for the facility in San Antonio limits use of the property to operation of a comprehensive rehabilitation hospital, medical research and education and other medical uses and uses reasonably incidental thereto. These restrictions and any similar future restrictions in ground leases will limit our flexibility in renting the facility and may impede our ability to sell the property.

RISKS RELATING TO THE HEALTHCARE INDUSTRY

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

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

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

A significant number of our tenants operate long-term acute care hospitals, or LTACHs. The United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, or CMS, recently proposed a 0.71 percent increase to the LTACH prospective payment system rates for 2008. However, in light of concerns raised by an analysis of recent LTACH case mix data, CMS also proposed a budget neutrality requirement for annual payment updates.

In addition to the proposed payment changes, CMS is proposing changes to its policy known as the “25 percent rule.” That rule takes into account the percentage of patients that were admitted to the LTACH from its co-located host hospital (usually a general acute care hospital). Under the current policy, if an LTACH that is a hospital-within-a-hospital or satellite facility that has more than a certain percentage (generally 25 percent) of its discharges admitted from the co-located host hospital for the cost reporting period, then the payment to the LTACH would be adjusted downward. CMS adopted a final rule that extends the 25 percent rule and implements a payment adjustment for LTACH and satellites (including grandfathered facilities) that applies to Medicare discharges that were admitted from a referring hospital that is not co-located with it. Implementation of the 25 percent rule will extend over a three year period,. For cost reporting periods beginning on or after July 1, 2007 and before July 1, 2008 (the first transition year), the threshold is no less than the lesser of 75 percent or the percentage of Medicare discharges that had been admitted to the LTACH or satellite facility during its RY 2005 cost reporting period from that referring hospital. CMS will continue to explore implementing a recommendation from MedPAC to develop facility and patient level criteria for LTACHs. If adopted as proposed, these changes could have a material adverse effect on the financial condition of some of our tenants, which could have a material adverse effect on our financial condition and results of operations and could negatively affect our ability to make distributions to our stockholders.

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

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

Our tenants are subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant's ability to make lease and loan payments to us.

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

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

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

Certain of our lease arrangements may be subject to fraud and abuse or physician self-referral laws.

Local physician investment in our operating partnership or our subsidiaries that own our facilities could subject our lease arrangements to scrutiny under fraud and abuse and physician self-referral laws. Under the Stark Law, and regulations adopted thereunder, if our lease arrangements do not satisfy the requirements of an applicable exception, that noncompliance could adversely affect the ability of our tenants to bill for services provided to Medicare beneficiaries pursuant to referrals from physician investors and subject us and our tenants to fines, which could impact their ability to make lease and loan payments to us. On March 26, 2004, CMS issued Phase II final rules under the Stark Law, which, together with the 2001 Phase I final rules, set forth CMS' current interpretation and application of the Stark Law prohibition on referrals of designated health services, or DHS. These rules provide us additional guidance on application of the Stark Law through the implementation of "bright-line" tests, including additional regulations regarding the indirect compensation exception, but do not eliminate the risk that our lease arrangements and business strategy of physician investment may violate the Stark Law. Finally, the Phase II rules implemented an 18-month moratorium on physician ownership or investment in specialty hospitals imposed by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The moratorium imposed by the

Medicare Prescription Drug, Improvement and Modernization Act of 2003, or MMA, expired on June 8, 2005. However, that moratorium was retroactively extended by the passage of the Deficit Reduction Act of 2005, or the DRA, which requires the Secretary of Health and Human Services to develop a strategic and implementing plan for physician investment in specialty hospitals that addresses the issues of proportionality of investment return, bona fide investment, annual disclosure of investments, and the provision of medical assistance (Medicaid) and charity care. The final report was published on August 8, 2006, at which time the moratorium expired. However, we expect that specialty hospitals will continue to be closely scrutinized by Congress and various federal and state agencies. Further, despite the expiration of the specialty hospital moratorium, in its final report, CMS expressed its intention to (i) revise the Medicare payment system to address incentives to physician investors; (ii) require disclosure of physician investment and compensation arrangements; (iii) continue to enforce the fraud and abuse laws; and (iv) continue to enforce prior violations of the MMA moratorium. 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. On September 7, 2007, CMS published Phase III regulations which modify certain aspects of the Stark Law regulations. Subsequently, the effective dates of a portion of those regulations was extended. In addition, CMS proposed additional changes to existing Stark Law regulations as part of the IPPS regulations.

State certificate of need laws may adversely affect our development of facilities and the operations of our tenants.

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

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

RISKS RELATING TO OUR ORGANIZATION AND STRUCTURE

Maryland law and Medical Properties' charter and bylaws contain provisions which may prevent or deter changes in management and third-party acquisition proposals that you may believe to be in your best interest, depress the price of Medical Properties common stock or cause dilution.

Medical Properties' charter contains ownership limitations that may restrict business combination opportunities, inhibit change of control transactions and reduce the value of Medical Properties common stock. To qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, no more than 50% in value of Medical Properties' 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. Medical Properties' 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 Medical Properties common stock. Generally, Medical Properties common stock owned by affiliated owners will be aggregated for purposes of the ownership limitation. 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 Medical Properties 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 Medical Properties common stock.

Medical Properties' charter and bylaws contain provisions that may impede third-party acquisition proposals that may be in your best interests. Medical Properties' charter and bylaws also provide that our directors may only be removed by the affirmative vote of the holders of two-thirds of Medical Properties common 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 Medical Properties 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.

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., R. Steven Hamner, Emmett E. McLean, Michael G. Stewart and William G. Mc Kenzie 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 developed. 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.

Our UPREIT structure may result in conflicts of interest between Medical Properties' 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 issue operating 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 sole member of the general partner of the operating partnership, Medical Properties has fiduciary duties to the limited partners of the operating partnership that may conflict with fiduciary duties Medical Properties' officers and directors owe to its stockholders. These conflicts may result in decisions that are not in your best interest.

TAX RISKS ASSOCIATED WITH OUR STATUS AS A REIT

Loss of our tax status as a REIT would have significant adverse consequences to us and the value of Medical Properties common stock.

We believe that we qualify as a REIT for federal income tax purposes and have elected 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. 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 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 (1) 85% of our ordinary income for that year; (2) 95% of our capital gain net income for that year; and (3) 100% of our undistributed taxable income from prior years.

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.

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.

Loans to our tenants could be recharacterized as equity, in which case our rental income from that tenant might not be qualifying income under the REIT rules and we could lose our REIT status.

In connection with the acquisition of the Vibra Facilities, our taxable REIT subsidiary made a loan to Vibra in an aggregate amount of approximately $41.4 million to acquire the operations at the Vibra Facilities. As of March 1, 2008, that loan had been reduced to approximately $29.4 million. Our taxable REIT subsidiary also made a loan of approximately $6.2 million to Vibra and its subsidiaries for working capital purposes, which has been paid in full. The acquisition loan bears interest at an annual rate of 10.25%. Our operating partnership loaned the funds to our taxable REIT subsidiary to make these loans. The loan from our operating partnership to our taxable REIT subsidiary bears interest at an annual rate of 9.25%.

Our taxable REIT subsidiary has made and will make loans to tenants to acquire operations or for other purposes. The Internal Revenue Service, or IRS, may take the position that certain loans to tenants should be treated as equity interests rather than debt, and that our rental income from such tenant should not be treated as qualifying income for purposes of the REIT gross income tests. If the IRS were to successfully treat a loan to a particular tenant as equity interests, the tenant would be a "related party tenant" with respect to our company and the rent that we receive from the tenant 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 a particular loan as interests held by our operating partnership rather than by our taxable REIT subsidiary, we could fail the 5% asset test, and if the IRS further successfully treated the loan as other than straight debt, we could fail the 10% asset test with respect to such interest. As a result of the failure of either test, 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 RELATED TO AN INVESTMENT IN OUR COMMON STOCK

The market price and trading volume of our common stock may be volatile.

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 your purchase 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;
- 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, skilled nursing facilities, regional and community hospitals, women’s and children’s hospitals and other single-discipline facilities;
- speculation in the press or investment community; and
- general market and economic conditions.

Future sales of common stock 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 price for our common stock. We 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 affect 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.

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.

ITEM 1B. ***Unresolved Staff Comments***

None

ITEM 2. ***Properties***

At December 31, 2007, our portfolio consisted of 28 properties: 25 facilities which we own are leased to eight tenants with the remainder in the form of mortgage loans to two operators, totaling an aggregate of approximately 3.3 million square feet and 3,453 licensed beds.

State	Total Revenue	Percentage of Total Revenue	Total Investment
California	$ 41,835,572	43.4%	$ 501,016,031
Colorado	1,398,953	1.5%	9,502,455
Indiana	5,289,316	5.5%	50,211,656
Kentucky	6,886,681	7.2%	45,595,371
Louisiana	2,222,137	2.3%	17,562,684
Massachusetts	4,551,598	4.7%	29,934,621
New Jersey	6,299,852	6.5%	41,569,113
Oregon	1,866,904	1.9%	24,447,351
Pennsylvania	5,749,929	6.0%	45,515,767
Texas	20,186,421	21.0%	158,307,473
	$ 96,287,363	100.0%	$ 923,662,522

Type of Property	Number of Properties	Number of Square Feet	Number of Licensed Beds
Community Hospital	15	2,383,434	2,623
Long-term Acute Care Hospital	9	594,238	567
Rehabilitation Hospital	4	335,492	263
	28	3,313,164	3,453

ITEM 3. ***Legal Proceedings***

None.

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

None.

PART II

ITEM 5. ***Market for Registrant's Common Equity, Related Stockholder Matter, and Issuer Purchases of Equity Securities***

Medical Properties' common stock is traded on the New York Stock Exchange under the symbol "MPW." The following table sets forth the high and low sales prices for the common stock for the periods indicated, as reported by the New York Stock Exchange Composite Tape, and the distributions declared by us with respect to each such period.

	High	Low	Distribution
Year ended December 31, 2006			
First Quarter	11.23	9.40	0.21
Second Quarter	12.50	10.25	0.25
Third Quarter	13.93	11.25	0.26
Fourth Quarter	15.65	13.12	0.27
Year ended December 31, 2007			
First Quarter	16.70	14.44	0.27
Second Quarter	15.25	12.16	0.27
Third Quarter	13.88	10.86	0.27
Fourth Quarter	13.99	9.80	0.27

On March 13, 2008, the closing price for our common stock, as reported on the New York Stock Exchange, was $12.08. As of March 13, 2008, there were 82 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

On August 1, 2007, the Company announced that its Board authorized the Company to repurchase up to 3.0 million of its Common Stock. The stock may be repurchased by the Company from time to time on the open market or in privately negotiated transactions between August 1, 2007 and July 31, 2008. The extent to which the Company repurchases its shares and the timing of such purchases will depend upon price, corporate and regulatory requirements, market conditions and other corporate considerations.

The following table provides information as of December 31, 2007 with respect to the shares of common stock repurchased by the Company:

Period	(a) Total # of Shares Purchased	(b) Average Price Paid per Share	(c) Total # of Shares Purchased as Part of Publicly Announced Programs	(d) Maximum # of Shares that May Yet be Purchased Under the Programs
October 1- October 31, 2007	—	—	—	—
November 1-November 31, 2007				
December 1-December 31, 2007	25,000	$ 10.46	25,000	2,975,000
Total	25,000	$ 10.46	25,000	2,975,000

ITEM 6. ***Selected Financial Data***

The following table sets forth selected financial and operating information on a historical basis for the years ended December 31, 2007, 2006, 2005, and 2004, and for the period from inception (August 27, 2003) to December 31, 2003:

	For the Year Ended December 31, 2007	For the Year Ended December 31, 2006	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004	Period from Inception (August 27, 2003) to December 31, 2003
OPERATING DATA					
Total revenue	$ 96,287,363	$ 50,471,432	$ 30,452,545	$ 10,893,459	$ —
Depreciation and amortization	12,612,630	6,704,924	4,182,731	1,478,470	—
General and administrative expenses	15,791,840	10,190,850	8,016,992	5,150,786	992,418
Interest expense	28,236,502	4,417,955	1,521,169	32,769	
Income (loss) from continuing operations	40,009,949	29,672,741	18,822,785	4,576,349	(1,023,276)
Income from discontinued operations	1,229,690	486,957	817,562	—	—
Net income (loss)	41,239,639	30,159,698	19,640,347	4,576,349	(1,023,276)
Income (loss) from continuing operations per diluted common share	0.84	0.75	0.58	0.24	(0.63)
Income from discontinued operations per diluted common share	0.02	0.01	0.03	—	—
Net income (loss) per diluted common share	0.86	0.76	0.61	0.24	(0.63)
Weighted average number of common shares — diluted	47,903,432	39,701,976	32,370,089	19,312,634	1,630,435
OTHER DATA					
Net income (loss)	$ 41,239,639	$ 30,159,698	$ 19,640,347	$ 4,576,349	$ (1,023,276)
Depreciation and amortization	12,612,630	6,704,924	4,182,731	1,478,470	—
Gain on sale of real estate sold	(4,061,626)	—	—	—	—
Funds from operations	49,790,643	36,864,622	23,823,078	6,054,819	$ (1,023,276)
Funds from operations per diluted common share	1.03	0.93	0.74	0.31	(0.63)
Dividends declared per diluted common share	0.94	0.99	0.62	0.21	—

	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003
BALANCE SHEET DATA					
Real estate assets — at cost	$ 657,904,249	$ 558,124,367	$ 337,102,392	$ 151,690,293	$ 166,301
Other loans and investments	265,758,273	150,172,830	85,813,486	50,224,069	—
Cash and equivalents	94,215,134	4,102,873	59,115,832	97,543,677	100,000
Total assets	1,051,660,686	744,756,745	495,452,717	306,506,063	468,133
Debt	480,525,166	304,961,898	65,010,178	56,000,000	100,000
Other liabilities	57,937,525	95,021,876	71,991,531	17,777,619	1,389,779
Minority interests	77,552	1,051,835	2,173,866	1,000,000	—
Total stockholders' equity (deficit)	513,120,443	343,721,136	356,277,142	231,728,444	(1,021,646)
Total liabilities and stockholders' equity(deficit)	1,051,660,686	744,756,745	495,452,717	306,506,063	468,133,063

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We were incorporated in Maryland on August 27, 2003 primarily for the purpose of investing in and owning net-leased healthcare facilities across the United States. We also make real estate mortgage loans and other loans to our tenants. We have operated as a real estate investment trust ("REIT") since April 6, 2004, and accordingly, elected REIT status upon the filing in September 2005 of our calendar year 2004 Federal income tax return. Our existing tenants are, and our prospective tenants will generally be, healthcare 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 and mortgage financing and generally seek lease and loan terms typically for 15 years with a series of shorter renewal terms at the option of our tenants and borrowers. We also have included and intend to include in our lease and loan agreements annual contractual rate increases that in the current market range from 1.5% to 3.5%. Our existing portfolio escalators range from 0% to 2.5%. Most of our leases and loans also include rate increases based on the general rate of inflation if greater than the minimum contractual increases. In addition to the base rent, our leases require our tenants to pay all operating costs and expenses associated with the facility. Some leases also require our tenants to pay percentage rents which are based on the level of those tenants' net revenues from their operations.

We selectively make loans to certain of our operators through our taxable REIT subsidiary, which they use for acquisitions and working capital. We consider our lending business an important element of our overall business strategy for two primary reasons: (1) it provides opportunities to make income-earning investments that yield attractive risk-adjusted returns in an industry in which our management has expertise, and (2) by making debt capital available to certain qualified operators, we believe we create for our company a competitive advantage over other buyers of, and financing sources for, healthcare facilities. For purpose of Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*, we conduct business operations in one segment.

At December 31, 2007, our portfolio consisted of 28 properties: 25 healthcare facilities which we own are leased to eight tenants with the remainder in the form of mortgage loans secured by interests in health care real estate. We had one acquisition loan outstanding, the proceeds of which our tenant used for the acquisition of six hospital operating companies. The facilities we owned and the facilities that secured our mortgage loans were in ten states, had a carrying cost of approximately $820.2 million (including the balances of our mortgage loans) and comprised approximately 78.0% of our total assets. Our acquisition and other loans of approximately $85.1 million represented approximately 8.1% of our total assets. We do not expect such non-mortgage loans at any time to exceed 20% of our total assets. We also had cash and temporary investments of approximately $94.2 million that represented approximately 9.0% of our total assets. Subsequent to December 31, 2007, we used approximately $83.0 million of such cash to repay our revolving credit facilities.

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

Key factors that we consider in underwriting prospective tenants and borrowers and in monitoring the performance of existing tenants and borrowers 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 or borrower and at each facility;
- the ratio of our tenants' and borrowers' operating earnings both to facility rent and to facility rent plus other fixed costs, including debt costs;

- trends in the source of our tenants' or borrowers' revenue, including the relative mix of Medicare, Medicaid/MediCal, managed care, commercial insurance, and private pay patients; and
- the effect of evolving healthcare regulations on our tenants' and borrowers' profitability.

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

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

At March 1, 2008, we had 26 employees. Over the next 12 months, we expect to add four to six additional employees.

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 have significant effects on our financial statements. Each of these items involves estimates that require us to make subjective judgments. We rely on our experience, collect historical and current market data, and develop relevant assumptions 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 judgment on the use of assumptions as to future uncertainties and, as a result, actual results could materially differ from these estimates. Our accounting estimates 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, straight-line 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 straight-line rent receivable applicable to each specific tenant is collectible. We review each tenant's straight-line 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 straight-line 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. At that time, we stop accruing additional straight-line rent income.

Our development projects normally allow us to earn what we term "construction period rent". We record the accrued construction period rent as a receivable and as deferred revenue during the construction period. We recognize earned revenue on the straight-line method as the construction period rent is paid to us by the lessee/operator, usually beginning when the lessee/operator takes physical possession of the facility.

We make loans to certain tenants and from time to time may make construction or mortgage loans to facility owners or other parties. We recognize interest income on loans as earned based upon the principal amount outstanding. These loans are generally secured by interests in real estate, receivables, the equity interests of a tenant, or corporate and individual guarantees. As with straight-line 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 we capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. While our tenants are generally responsible for all operating costs at a facility, 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-owned 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 SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 requires that the operations related to facilities that have been sold, or that we intend to sell, be presented as discontinued operations in the statement of operations for all periods presented, and facilities and related assets 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 review the recoverability of the facility's carrying value. The review of recoverability is based on our estimate of the future undiscounted cash flows, excluding interest charges, from the facility's use and eventual disposition. Our forecast of these cash flows considers 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 is recorded to the extent that the carrying value exceeds the estimated fair value of the facility. We are 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 as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. The Company's strategy to date has been the simultaneous acquisition of facilities and the origination of new long-term leases at market rates. Future acquisitions, in some cases, may be for properties with in-place leases which may require the evaluation of above-market and below-market lease values.

We measure the aggregate value of other intangible assets to be acquired based on the difference between (i) the property valued with new or existing leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are made using methods similar to those used by independent appraisers (*e.g.*, discounted cash flow analysis). Factors considered by management in 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 three to 18 months, depending on specific local market conditions. Management also estimates costs to execute similar leases including leasing commissions, legal costs, and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

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 amortize the value of in-place leases to expense over the initial term of the respective leases, which are typically 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 are charged to expense.

Accounting for Derivative Financial Investments and Hedging Activities. We 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, which we expect to affect the Company primarily in the form of interest rate risk or variability of interest rates, are considered fair value hedges under SFAS No. 133.

In 2006, we entered into derivative contracts as part of our offering of Exchangeable Senior Notes due 2011 (the "exchangeable notes"). The contracts are generally termed "capped call" or "call spread" contracts. These contracts are financial instruments which are separate from the exchangeable notes themselves, but affect the overall potential number of shares which will be issued by us to satisfy the conversion feature in the exchangeable notes. The exchangeable notes can be exchanged into shares of our common stock when our stock price exceeds $16.51 per share, which is the equivalent of 60.5566 shares per $1,000 note. The number of shares actually issued upon conversion is equivalent to the amount by which our stock price exceeds $16.51 times the 60.5566 conversion rate. The "capped call" transaction allowed us to effectively increase that exchange price from $16.51 to $18.94. Therefore, our shareholders would not experience dilution of their shares from any settlement or conversion of the exchangeable notes until the price of our stock exceeds $18.94 per share rather than $16.51 per share. When evaluating this transaction, we have followed the guidance in Emerging Issues Task Force (EITF) No. 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.* EITF No. 00-19 requires that contracts such as this "capped call" which meet certain conditions must be accounted for as permanent adjustments to equity rather than periodically adjusted to their fair value as assets or liabilities. We have evaluated the terms of these contracts and have determined that this "capped call" must be recorded as a permanent adjustment to stockholders' equity. We have therefore shown the premium paid in this transaction as a one-time adjustment in the statement of stockholders' equity.

The exchangeable notes themselves also contain the conversion feature described above. SFAS No. 133 also states that certain "embedded" derivative contracts must follow the guidance of EITF No. 00-19 and be evaluated as though they also were a “freestanding” derivative contract. Embedded derivative contracts such the conversion feature in the notes should not be treated as a financial instrument separate from the note if it meets certain conditions in EITF No. 00-19. We have evaluated the conversion feature in the exchangeable notes and have determined that it should not be reported separately from the debt.

Variable Interest Entities. In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. In December 2003, the FASB issued a revision to FIN 46, which is termed FIN 46(R). FIN 46(R) 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 voting rights, guidance on how to determine which business enterprise should consolidate such an entity, and guidance on when it should do so. 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. An entity meeting either of these two criteria is a variable interest entity, or VIE. A VIE must be consolidated by any entity which is the primary beneficiary of the VIE. If an entity is not the primary beneficiary of the VIE, the VIE is not consolidated. We periodically evaluate the terms of our relationships with our tenants and borrowers to determine whether we are the primary beneficiary and would therefore be required to consolidate any tenants or borrowers that are VIEs. Our evaluations of our transactions indicate that we have loans receivable from two entities which we classify as VIEs. However, because we are not the primary beneficiary of these VIEs, we do not consolidate these entities in our financial statements.

Stock-Based Compensation. Prior to 2006, we used 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.* SFAS No. 123(R) became effective for our annual and interim periods beginning January 1, 2006, but had no material effect on the results of our operations. During the years ended December 31, 2007 and 2006, we recorded approximately $4.5 million and $3.1 million, respectively, of expense for share-based compensation related to grants of restricted common stock, deferred stock units and other stock-based awards. In 2006, we also granted performance-based restricted share awards. Because these awards will vest based on the Company’s performance, we must evaluate and estimate the probability of achieving those performance targets. Any changes in these estimates and probabilities must be recorded in the period when they are changed. In 2007, the Compensation Committee made awards which are earned only if the Company achieves certain stock price levels, total shareholder return or other market conditions. The 2007 awards were made pursuant to the Company’s 2007 Multi-Year Incentive Plan (MIP) adopted by the Compensation Committee and consisted of three components: service-based awards, core performance awards (CPRE), and superior performance awards (SPRE). The service-based awards vest annually and ratably over a seven-year period. We recognize expense over the vesting period on the straight-line method for service based awards. The CPRE and SPRE awards vest based on what SFAS No. 123(R) terms “market conditions”. Market conditions are vesting conditions which are based on our stock price levels or our total shareholder return (stock price and dividends) compared to an index of other REIT stocks. The SPRE awards require additional service after being earned, if they are in fact earned. For the CPRE awards, the period over which the awards are earned is not fixed because the awards provide for cumulative measures over multiple years. SFAS No. 123(R) requires that we estimate the period over which the awards will likely be earned, regardless of the period over which the award allows as the maximum period over which it can be earned. Also, because some awards have multiple periods over which they can be earned, we must segregate individual awards into “tranches”, based on their vesting or estimated earning periods. These complexities required us to use an independent consultant to model both the value of the award and the various periods over which the each tranche of an award will be earned. Our consultant used what is termed a Monte Carlo simulation model which determines a value and earnings periods based on multiple outcomes and their probabilities. Beginning in 2007, we have begun recording expense over the expected or derived vesting periods using the calculated value of the awards. We must record expense over these vesting periods even though the awards have not yet been earned and, in fact, may never be earned. In some cases, if the award is not earned, we will be required to reverse expenses recognized in earlier periods. As a result, future stock-based compensation expense may fluctuate based on the potential reversal of previously recorded expense.

Disclosure of Contractual Obligations

The following table summarizes known material contractual obligations associated with investing and financing activities as of December 31, 2007:

Contractual Obligations	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Senior notes	9,630,775	19,261,550	17,825,825	156,904,466	203,622,616
Exchangeable notes	8,452,500	16,905,000	145,364,096	—	170,721,596
Revolving credit facility(1)	88,084,252	10,094,727	77,687,920	—	175,866,899
Term Note	5,139,626	10,144,019	67,586,331	—	82,869,976
Operating lease commitments(2)	820,886	1,675,297	1,728,843	31,001,675	35,226,701
Totals	$ 112,128,039	$ 58,080,593	$ 310,193,015	$ 187,906,141	$ 668,307,788

(1) Assumes the balance and interest rates are those in effect at December 31, 2007 and no principal payments are made until the expiration of the facilities.

(2) Some of our contractual obligations to make operating lease payments are related to ground leases for which we are reimbursed by our tenants.

Liquidity and Capital Resources

At December 31, 2007 we had cash and short-term investments of approximately $94.2 million. In early January 2008 we used approximately $83.0 million of cash to reduce the balances under our revolving credit facilities. Subsequent to the early January repayment, we have available under our credit facilities approximately $120 million in borrowing capacity. The terms of one of our credit facilities give us the right to increase its total size from $220 million presently to $350 million. However, any such expansion is subject to pricing and other market conditions, and we believe it is unlikely that lenders in the present market would commit to additional capacity at pricing levels that we would find acceptable.

Short-term Liquidity Requirements: We believe that the $120 million available to us mentioned above is sufficient to provide the resources necessary for operations, distributions in compliance with REIT requirements and a limited amount of acquisitions. In the event that we elect to make more than a limited amount of acquisitions in the near term, we will need to access additional capital. Based on current conditions in the capital markets, we believe such capital will be available; however, the capital markets have recently been highly volatile and there is no assurance that we could obtain acquisition capital at prices that we consider acceptable.

Long-term Liquidity Requirements: We believe that cash flow from operating activities subsequent to 2007 and available borrowing capacity will be sufficient to provide adequate working capital and make required distributions to our stockholders in compliance with our requirements as a REIT. To maintain our growth plans, and because of the tax requirements that we distribute a substantial portion of our earnings, we will need combined access to capital. To the extent market conditions or conditions specific to us make such capital unavailable or unaffordable, we may be unable to execute our growth strategies or we may be able to grow only at rates and margins lower than what we have anticipated.

Investing Activities

During 2007 we invested approximately $316 million, or approximately 42% of our December 31, 2006 total assets, in new hospital real estate assets. We received early pay-offs of approximately $65 million in mortgage loans and approximately $8 million in other loans. Our net increase in assets during 2007, after consideration of the January 2008 credit facility reductions, was approximately $228 million, or approximately 31%.

Results of Operations

We began operations during the second quarter of 2004. Since then, we have substantially increased our income earning investments each year, and we expect to continue to materially add to our investment portfolio, subject to the capital markets and other conditions described in this Annual Report on Form 10-K. Accordingly, we expect that future results of operations will vary materially from our historical results. The results of operations presented below for the year ended December 31, 2005, have been adjusted to reflect the operations of two facilities which are recorded as discontinued operations at December 31, 2007.

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Net income for the year ended December 31, 2007 was $41,239,639 compared to net income of $30,159,698 for the year ended December 31, 2006.

A comparison of revenues for the years ended December 31, 2007 and 2006 is as follows:

	2007		2006		Change
Base rents	$ 54,232,567	56.3%	$ 29,806,171	59.1%	$ 24,426,396
Straight-line rents	11,079,704	11.5%	5,952,442	11.8%	5,127,262
Percentage rents	607,121	0.6%	2,384,601	4.7%	(1,777,480)
Interest from loans	26,000,486	27.0%	11,893,339	23.6%	14,107,147
Fee income	4,367,485	4.6%	434,879	0.8%	3,932,606
Total revenue	$ 96,287,363	100.0%	$ 50,471,432	100.0%	$ 45,815,931

Revenue for the year ended December 31, 2007, was comprised of rents (68.4%) and interest and fee income from loans (31.6%). Our base and straight-line rents increased in 2007 due to the acquisition of four facilities and opening of two developments in 2007. Interest income from loans in the year ended December 31, 2007, increased primarily due to origination of two additional mortgage loans totaling $120,000,000 in the first quarter of 2007 offset by the repayment of a $40 million mortgage loan in the second quarter of 2007 and a $25 million mortgage loan in the fourth quarter of 2007. Our fee income increased in 2007 due to the receipt of $3.8 million in mortgage loan pre-payment fees.

Vibra accounted for 31.3% and 55.0% of our gross revenues in 2007 and 2006, respectively. This includes percentage rents of approximately $0.5 million and $2.4 million in 2007 and 2006, respectively. We expect that the portion of our total revenues attributable to Vibra will decline in relation to our total revenue, and based solely on our portfolio at December 31, 2007, we estimate that Vibra will represent 18.5% of total revenue in 2008. At December 31, 2007, assets leased and loaned to Vibra comprised 19.7% of our total assets and 23.7% of our total investment.

Depreciation and amortization during the year ended December 31, 2007 was $12,612,630, compared to $6,704,924 during the year ended December 31, 2006. All of this increase is related to an increase in the number of rent producing properties from 21 (cost — $437.4 million) at December 31, 2006 to 25 (cost — $657.5 million) at December 31, 2007. We expect our depreciation and amortization expense to continue to increase commensurate with our acquisition and development activity.

General and administrative expenses during the years ended December 31, 2007 and 2006, totaled $15,971,840 and $10,190,850, respectively, which represents an increase of 55.0%. The increase is partially due to an increase of approximately $1.4 million of non-cash share-based compensation expense from stock-based awards made during 2007. We expect non-cash share-based compensation to increase in 2008 because awards that were made in 2007 but do not vest until certain performance hurdles are met must nonetheless be expensed beginning in the year of the award based on our estimate of the likelihood of achieving those performance hurdles.

Interest expense for the years ended December 31, 2007 and 2006 totaled $28,236,502 and $4,417,955, respectively. Interest expense in 2007 and 2006 excludes interest of approximately $1.3 million and $6.2 million, respectively, which was capitalized as part of the cost of development projects under construction during 2007 and 2006. Capitalized interest decreased due to our final two developments under construction being placed into service in April 2007, which represented construction in process totaling $59.8 million at December 31, 2006. Interest expense increased during 2007 due to the issuance of $263.0 million in fixed rate notes in the second half of 2006 and the cessation of capitalization of interest on approximately $155.3 million in development projects that were placed in service in 2006 and 2007. We expect interest expense to increase during 2008 due to larger debt balances in 2008 than in 2007.

Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Net income for the year ended December 31, 2006 was $30,159,698 compared to net income of $19,640,347 for the year ended December 31, 2005.

A comparison of revenues for the years ended December 31, 2006 and 2005 is as follows:

	2006		2005		Change
Base rents	$ 29,806,171	59.1%	$ 18,608,236	61.1%	$ 11,197,935
Straight-line rents	5,952,442	11.8%	4,764,527	15.7%	1,187,915
Percentage rents	2,384,601	4.7%	2,259,230	7.4%	125,371
Interest from loans	11,893,339	23.6%	4,704,369	15.4%	7,188,970
Fee income	434,879	0.8%	116,183	0.4%	318,696
Total revenue	$ 50,471,432	100.0%	$ 30,452,545	100.0%	$ 20,018,887

Revenue for the year ended December 31, 2006, was comprised of rents (75.6%) and interest and fee income from loans (24.4%). All of this revenue was derived from properties that we have acquired since July 1, 2004. Our base and straight-line rents increased in 2006 due to the acquisition of 10 facilities and opening of two developments in 2006. Interest income from loans in the year ended December 31, 2006, increased primarily based on the timing and amount of the Alliance mortgage loan made in 2005, and on the two mortgage loans made in 2006.

Vibra accounted for 55.0% and 86.2% of our gross revenues in 2006 and 2005, respectively, This includes percentage rents of approximately $2.4 million and $2.3 million in 2006 and 2005, respectively. In 2006, Vibra accounted for 61.5% of our total rent revenues. We expect that the portion of our total revenues attributable to Vibra will decline in relation to our total revenue. At December 31, 2006, assets leased and loaned to Vibra comprised 29.0% of our total assets and 33.4% of our total investment.

Depreciation and amortization during the year ended December 31, 2006 was $6,704,924, compared to $4,182,731 during the year ended December 31, 2005. The increase is due to the timing and amount of acquisitions and developments in 2006 and 2005. We expect our depreciation and amortization expense to continue to increase commensurate with our acquisition and development activity.

General and administrative expenses during the years ended December 31, 2006 and 2005, totaled $10,190,850 and $8,016,992, respectively, which represents an increase of 27.1%. The increase is due primarily to approximately $3.1 million of non-cash share based compensation expense from restricted shares and deferred stock units granted to employees, officers and directors during 2006. We expect non-cash share based compensation to increase in 2007 because shares that were awarded in 2006 but do not vest until certain performance hurdles are met must nonetheless be expensed beginning in the year of the award based on our estimate of the likelihood of achieving those performance hurdles.

Interest income (other than from loans) for the years ended December 31, 2006 and 2005, totaled $515,038 and $2,091,132, respectively. Interest income decreased due to the timing and amount of offering proceeds temporarily invested in short-term cash equivalent instruments in 2005.

Interest expense for the years ended December 31, 2006 and 2005 totaled $4,417,955 and $1,521,169, respectively. Interest expense in 2006 and 2005 excludes interest of approximately $6.2 million and $3.1 million, respectively, which was capitalized as part of the cost of development projects under construction during 2006 and 2005.

Discontinued Operations

We entered into a contract for the disposition of two assets in 2006. On October 22, 2006, two of our subsidiaries terminated their respective leases with Stealth, L.P. (“Stealth”). The leases were for the hospital and medical office building (MOB), respectively, operated together by Stealth as Houston Town and County Hospital in Houston, Texas. The leases were originally entered into in 2004, with the lease for the hospital scheduled to expire in 2021 and that for the MOB to expire in 2016. The leases required Stealth to make monthly payments of rent, including annual escalations of rent, and payments to fund repairs and improvements. The leases also required Stealth to pay all operating expenses of the facilities, including ad valorem taxes, insurance and utilities. In 2006, we recorded revenue of approximately $7.4 million from the leases and loans with Stealth. In connection with entering into the leases with Stealth, we also made working capital loans to Stealth in an aggregate amount, including accrued interest and after applying offsetting credits, of approximately $3.2 million. Subsequent to the lease termination, we received the full proceeds of a letter of credit issued to us by Stealth in the amount of $1.3 million, which was used to reduce the amount outstanding under the loans.

Stealth had not obtained managed care provider contracts that we believed were necessary for profitable operation of the hospital along with other issues. Accordingly, and pursuant to our rights under the leases, we terminated the leases and began negotiations directly with other hospital systems to lease or sell the facilities. These negotiations resulted in the ultimate sale of the hospital and MOB in January 2007, for a sales price of approximately $71.7 million, before expenses of the sale. During the period from the lease termination to the date of sale, the hospital was operated by a new third party operator under contract to the hospital. We also made loans to the operating company totaling approximately $4.4 million at December 31, 2007, which we expect to recover from the net revenues which the hospital and the MOB generated during the interim period. The accompanying financial statements include provisions to reduce such loans to their net realizable value. The revenues and expenses from our leases and loans to Stealth for the Houston Town and Country Hospital are shown in the accompanying consolidated financial statements as discontinued operations.

Reconciliation of Non-GAAP Financial Measures

Investors and analysts following the real estate industry utilize funds from operations, or FFO, as a supplemental performance measure. While we believe net income available to common stockholders, as defined by generally accepted accounting principles (GAAP), is the most appropriate measure, our management considers FFO an appropriate supplemental measure given its wide use by and relevance to investors and analysts. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation and amortization of real estate assets, which assume that the value of real estate diminishes predictably over time.

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

The following table presents a reconciliation of FFO to net income for the years ended December 31, 2007 and 2006:

	For the Years Ended December 31,		
	2007	2006	2005
Net income	$ 41,239,639	$ 30,159,698	19,640,347
Depreciation and amortization	12,612,630	6,704,924	4,182,731
Gain on sale of real estate sold	(4,061,626)	—	—
Funds from operations — FFO	$ 49,790,643	$ 36,864,622	$ 23,823,078

Per diluted share amounts:

	For the Years Ended December 31, 2007	2006	2005
Net income	$ .86	$ .76	$ .61
Depreciation and amortization	.26	.17	.13
Gain on sale of real estate sold	(0.09)	—	—
Funds from operations — FFO	$ 1. 03	$ .93	$ .74

Distribution Policy

We have elected 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 and maintain such status going forward.

The table below is a summary of our distributions paid or declared since January 1, 2005:

Declaration Date	Record Date	Date of Distribution	Distribution per Share
February 28, 2008	March 13, 2008	April 11, 2008	$.27
August 16, 2007	September 14, 2007	October 19, 2007	$.27
May 17, 2007	June 14, 2007	July 12, 2007	$.27
February 15, 2007	March 29, 2007	April 12, 2007	$.27
November 16, 2006	December 14, 2006	January 11, 2007	$.27
August 18, 2006	September 14, 2006	October 12, 2006	$.26
May 18, 2006	June 15, 2006	July 13, 2006	$.25
February 16, 2006	March 15, 2006	April 12, 2006	$.21
November 18, 2005	December 15, 2005	January 19, 2006	$.18
August 18, 2005	September 15, 2005	September 29, 2005	$.17
May 19, 2005	June 20, 2005	July 14, 2005	$.16
March 4, 2005	March 16, 2005	April 15, 2005	$.11
November 11, 2004	December 16, 2004	January 11, 2005	$.11

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

ITEM 7A ***Quantitative and Qualitative Disclosures about Market Risk***

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

In addition to changes in interest rates, the value of our facilities will be subject to fluctuations based on changes in local and regional economic conditions and changes in the ability of our tenants to generate profits, all of which may affect our ability to refinance our debt if necessary. The changes in the value of our facilities would be reflected also by changes in “cap” rates, which is measured by the current base rent divided by the current market value of a facility.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $1,428,000 per year. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $1,428,000 per year. This assumes that the amount outstanding under our variable rate debt remains approximately $142.8 million, the balance at March 1, 2008.

We currently have no assets denominated in a foreign currency, nor do we have any assets located outside of the United States.

Our exchangeable notes were initially exchangeable into 60.3346 shares of our stock for each $1,000 note. This equates to a conversion price of $16.57 per share. This conversion price adjusts based on a formula which considers increases to our dividend subsequent to the issuance of the notes in November 2006. Our dividends declared in since we sold the exchangeable notes have adjusted our conversion price to $16.51 per share which equates to 60.5566 shares per $1,000 note. Future changes to the conversion price will depend on our level of dividends which cannot be predicted at this time. Any adjustments for dividend increases until the notes are settled in 2011 will affect the price of the notes and the number of shares for which they will eventually be settled. At December 31, 2007, the exchange rates are 60.5566 Company common shares per $1,000 principal amount of the notes, representing an exchange price of approximately $16.51 per common share.

At the time we issued the exchangeable notes, we also entered into a capped call or call spread transaction. The effect of this transaction was to increase the conversion price from $16.57 to $18.94. As a result, our shareholders will not experience any dilution until our share price exceeds $18.94. If our share price exceeds that price, the result would be that we would issue additional shares of common stock. At a price of $20 per share, we would be required to issue an additional 434,000 shares. At $25 per share, we would be required to issue an additional two million shares.

ITEM 8. ***Financial Statements and Supplementary Data***

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedules III and IV. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Medical Properties Trust, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 13, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Birmingham, Alabama
March 13, 2008

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2007	December 31, 2006
ASSETS		
Real estate assets		
Land	$ 69,247,711	$ 33,809,594
Buildings and improvements	544,840,277	387,770,513
Construction in progress	435,110	57,432,264
Intangible lease assets	43,381,151	15,787,615
Mortgage loans	185,000,000	105,000,000
Real estate held for sale	—	63,324,381
Gross investment in real estate assets	842,904,249	663,124,367
Accumulated depreciation	(20,214,219)	(10,758,514)
Accumulated amortization	(2,498,514)	(1,297,908)
Net investment in real estate assets	820,191,516	651,067,945
Cash and cash equivalents	94,215,134	4,102,873
Interest and rent receivable	10,325,614	11,893,513
Straight-line rent receivable	23,637,435	12,686,976
Other loans	80,758,273	45,172,830
Other assets of discontinued operations	4,354,835	6,890,919
Other assets	18,177,879	12,941,689
Total Assets	**$ 1,051,660,686**	**$ 744,756,745**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Debt	$ 480,525,166	$ 304,961,898
Debt — real estate held for sale	—	43,165,650
Accounts payable and accrued expenses	21,091,374	30,045,642
Liabilities of discontinued operations	—	341,216
Deferred revenue	20,839,338	14,615,609
Lease deposits and other obligations to tenants	16,006,813	6,853,759
Total liabilities	538,462,691	399,983,774
Minority interests	77,552	1,051,835
Stockholders' equity		
Preferred stock, $0.001 par value. Authorized 10,000,000 shares; no shares outstanding	—	—
Common stock, $0.001 par value. Authorized 100,000,000 shares; issued and outstanding — 52,133,207 shares at December 31, 2007 and 39,585,510 shares at December 31, 2006	52,133	39,586
Additional paid-in capital	540,501,058	356,678,018
Distributions in excess of net income	(27,170,405)	(12,996,468)
Treasury shares, at cost	(262,343)	—
Total stockholders' equity	513,120,443	343,721,136
Total Liabilities and Stockholders' Equity	**$ 1,051,660,686**	**$ 744,756,745**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

	For the Years Ended December 31, 2007	2006	2005
Revenues			
Rent billed	$ 54,839,688	$ 32,190,772	$ 20,867,466
Straight-line rent	11,079,704	5,952,442	4,764,527
Interest and fee income	30,367,971	12,328,218	4,820,552
Total revenues	96,287,363	50,471,432	30,452,545
Expenses			
Real estate depreciation and amortization	12,612,630	6,704,924	4,182,731
General and administrative	15,791,840	10,190,850	8,016,992
Total operating expenses	28,404,470	16,895,774	12,199,723
Operating income	67,882,893	33,575,658	18,252,822
Other income (expense)			
Interest income	363,558	515,038	2,091,132
Interest expense	(28,236,502)	(4,417,955)	(1,521,169)
Net other (expense) income	(27,872,944)	(3,902,917)	569,963
Income from continuing operations	40,009,949	29,672,741	18,822,785
Income from discontinued operations	1,229,690	486,957	817,562
Net income	**$ 41,239,639**	**$ 30,159,698**	**$ 19,640,347**
Net income per common share — basic			
Income from continuing operations	$ 0.84	$ 0.75	$ 0.58
Income from discontinued operations	0.02	0.01	0.03
Net income	**$ 0.86**	**$ 0.76**	**$ 0.61**
Weighted average shares outstanding — basic	**47,717,026**	**39,537,877**	**32,343,019**
Net income per share — diluted			
Income from continuing operations	$ 0.84	$ 0.75	$ 0.58
Income from discontinued operations	0.02	0.01	0.03
Net income	**$ 0.86**	**$ 0.76**	**$ 0.61**
Weighted average shares outstanding — diluted	**47,903,432**	**39,701,976**	**32,370,089**

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2007, 2006 and 2005

	Preferred		Common		Additional	Distributions		Total
	Shares	Par Value	Shares	Par Value	Paid-in Capital	in Excess of Net Income	Treasury Stock	Stockholders' Equity
Balance at December 31, 2004	—	—	26,082,862	26,083	233,626,690	(1,924,329)	—	231,728,444
Deferred stock units issued to directors	—	—	—	—	182,603	(10,852)	—	171,751
Retirement of deferred stock units	—	—	—	—	(75,000)	—	—	(75,000)
Restricted shares issued	—	—	52,220	52	1,174,952	—	—	1,175,004
Proceeds from exercise of warrant	—	—	35,000	35	325,465	—	—	325,500
Issuance of common stock (net of offering costs)	—	—	13,175,023	13,175	124,353,652	—	—	124,366,827
Distributions declared ($.62 per common share)	—	—	—	—	—	(21,055,731)	—	(21,055,731)
Net income	—	—	—	—	—	19,640,347	—	19,640,347
Balance at December 31, 2005	—	—	39,345,105	39,345	359,588,362	(3,350,565)	—	356,277,142
Deferred stock units issued to directors	—	—	—	—	311,631	(44,381)	—	267,250
Restricted shares issued	—	—	240,405	241	3,068,015	—	—	3,068,256
Cost of call spread transaction	—	—	—	—	(6,289,990)	—	—	(6,289,990)
Dividends declared ($.99 per common share)		—	—	—	—	(39,761,220)		(39,761,220)
Net income		—	—	—	—	30,159,698		30,159,698
Balance at December 31, 2006	—	—	39,585,510	39,586	356,678,018	(12,996,468)	—	343,721,136
Deferred stock units issued to directors	—	—	10,598	11	54,155	(54,166)	—	—
Restricted shares issued	—	—	299,299	298	4,483,279	—	—	4,483,577
Options exercised for cash			20,000	20	199,980	—	—	200,000
Proceeds from offering (net of offering costs)	—	—	9,217,900	9,218	135,800,178	—	—	135,809,396
Proceeds from exercising forward sale agreement	—	—	3,000,000	3,000	43,285,448	—	—	43,288,448
Treasury stock acquired	—	—	—	—	—	—	(262,343)	(262,343)
Dividends declared ($1.08 per common share)	—	—	—	—	—	(55,359,410)	—	(55,359,410)
Net income	—	—	—	—	—	41,239,639	—	41,239,639
Balance at December 31, 2007	—	$ —	52,133,307	$ 52,133	$ 540,501,058	$ (27,170,405)	$ (262,343)	$ 513,120,443

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2007	2006	2005
Operating activities			
Net income	$ 41,239,639	$ 30,159,698	$ 19,640,347
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	13,172,548	8,318,303	4,567,675
Amortization of deferred financing costs	4,839,139	1,068,770	932,249
Straight-line rent revenue	(11,079,704)	(6,876,051)	(5,460,148)
Share based payments	4,483,577	3,115,804	1,346,755
(Gain) loss from sale of real estate	(4,061,626)	126,362	—
Deferred revenue and fee income	(1,157,538)	(1,192,231)	(270,727)
Provision for uncollectible receivables and loans	1,666,827	3,313,061	—
Interest cost recorded as addition to debt	—	1,253,236	—
Rent and interest income added to loans	(8,893,742)	(754,141)	—
Other adjustments	400,425	208,310	(96,677)
Decrease (increase) in:			
Interest and rent receivable	523,561	(285,717)	(486,521)
Other assets	2,450,668	(2,407,394)	(2,312,681)
Increase (decrease) in:			
Accounts payable and accrued expenses	(12,854,715)	6,982,887	4,700,558
Deferred revenue	566,061	107,390	1,420,030
Lease deposits and other obligations to tenants	5,534,497	(1,054,946)	174,527
Net cash provided by operating activities	36,829,617	42,083,341	24,155,387
Investing activities			
Real estate acquired	(200,815,181)	(121,408,474)	(97,667,724)
Proceeds from sale of real estate	68,203,041	7,642,332	—
Principal received on loans receivable	74,894,311	—	7,890,958
Investment in loans receivable	(128,986,298)	(67,597,349)	(45,999,178)
Construction in progress	(12,165,669)	(114,362,232)	(78,778,843)
Other investments	(1,310,936)	(1,135,799)	—
Net cash used for investing activities	(200,180,732)	(296,861,522)	(214,554,787)
Financing activities			
Proceeds from debt	559,185,897	362,128,450	104,474,342
Payments of debt	(427,556,088)	(118,607,528)	(60,645,833)
Deferred financing costs	(4,123,104)	(1,237,947)	(1,461,342)
Distributions paid	(53,078,830)	(36,105,732)	(16,730,414)
Proceeds from sale of common shares, net of offering costs	135,809,396	—	125,272,302
Sale of partnership units	—	—	1,137,500
Cost of call spread transactions	—	(6,289,990)	—
Proceeds from forward equity sale	43,288,448	—	—
Treasury stock acquired	(262,343)	—	—
Other	200,000	(122,031)	(75,000)
Net cash provided by financing activities	253,463,376	199,765,222	151,971,555
(Decrease) increase in cash and cash equivalents for the year	90,112,261	(55,012,959)	(38,427,845)
Cash and cash equivalents at beginning of year	4,102,873	59,115,832	97,543,677
Cash and cash equivalents at end of year	**$ 94,215,134**	**$ 4,102,873**	**$ 59,115,832**
Interest paid, including capitalized interest of $1,335,413 in 2007, $6,220,427 in 2006 and $3,107,966 in 2005	$ 24,584,480	$ 5,351,450	$ 3,461,654
Supplemental schedule of non-cash investing activities:			
Construction period rent and interest receivable recorded as deferred revenue	$ 3,797,723	$ 9,083,201	$ 5,259,006
Real estate acquisitions and new loans receivable recorded as lease and loan deposits	1,640,280	218,257	8,603,075
Real estate acquisitions and new loans receivable recorded as deferred revenue	75,000	1,184,000	577,500
Construction and acquisition costs charged to loans and real estate	4,971,306	1,455,395	774,479
Lease deposit applied to loan receivable	—	3,768,864	—
Loan receivable settled by acquisition of real estate	—	—	6,000,000
Construction in progress transferred to land and building	69,013,302	94,660,739	56,409,377
Supplemental schedule of non-cash financing activities:			
Deferred offering costs charged to proceeds from sale of common stock	$ —	$ —	$ 579,975
Distributions declared and paid in the following year	14,412,033	10,849,920	7,194,432
Other common stock transactions	54,475	264,302	10,904
Supplemental schedule of non-cash operating activities:			
Tenant deposits recorded in other assets	$ 7,500,000	$ —	$ —

See accompanying notes to consolidated financial statements.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes To Consolidated Financial Statements

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) through which it conducts all of its operations, 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's primary business strategy is to acquire and develop real estate and improvements, primarily for long term lease to providers of healthcare services such as operators of general acute care hospitals, inpatient physical rehabilitation hospitals, long — term acute care hospitals, surgery centers, centers for treatment of specific conditions such as cardiac, pulmonary, cancer, and neurological hospitals, and other healthcare-oriented facilities. The Company also makes mortgage and other loans to operators of similar facilities. The Company manages its business as a single business segment as defined in Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information.*

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 these entities, the Company records a minority interest representing equity held by minority interests. For entities in which the Company owns less than 100% and does not have the direct or indirect ability to make decisions but does exert significant influence over the entities' activities, the Company records its ownership in the entity using the equity method of accounting.

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

Cash and Cash Equivalents: Certificates of deposit and short-term investments with original maturities of three months or less and money-market mutual funds are considered cash equivalents. Cash and cash equivalents which have been pledged as security for letters of credit are recorded in other assets.

Deferred Costs: Costs incurred prior to the completion of offerings of stock or other capital instruments that directly relate to the offering are deferred and netted against proceeds received from the offering. Costs incurred in connection with anticipated financings and refinancing of debt are capitalized as deferred financing costs in other assets and amortized over the lives of the related loans as an addition to interest expense. For debt with defined principal re-payment terms, the deferred costs are amortized to produce a constant effective yield on the loan (interest method). For debt without defined principal repayment terms, such as revolving credit agreements, the deferred costs are amortized on the straight-line method over the term of the debt. Costs that are specifically identifiable with, and incurred prior to the completion of, probable acquisitions are deferred and, to the extent not collected from the seller's proceeds at acquisition, 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 or when the Company begins incurring costs, such as for its due diligence procedures, for the purchase of the property by the Company. Deferred acquisition costs are expensed when management determines that the acquisition is no longer probable. Leasing commissions and other leasing costs directly attributable to tenant leases are capitalized as deferred leasing costs and amortized on the straight-line method over the terms of the related lease agreements. Costs identifiable with loans made to lessees are recognized as a reduction in interest income over the life of the loan by the interest method.

Revenue Recognition: The Company receives income from operating leases based on the fixed, minimum required rents (base rents) and from additional rent based on a percentage of tenant revenues once the tenant's revenue has exceeded an annual threshold (percentage rents). Rent revenue from base rents is recorded on the straight-line method over the terms of the related lease agreements for new leases and the remaining terms of existing leases for acquired properties. The straight-line method records the periodic average amount of base rent earned over the term of a lease, taking into account contractual rent increases over the lease term. The straight-line method has the effect of recording more rent revenue from a lease than a tenant is required to pay during the first half of the lease term. During the last half of a lease term, this effect reverses with less rent revenue recorded than a tenant is required to pay. Rent revenue as recorded on the straight-line method in the consolidated statement of operations is shown as two amounts. Billed rent revenue is the amount of base rent actually billed to the customer each period as required by the lease. Straight-line rent revenue is the difference between base rent revenue earned based on the straight-line method and the amount recorded as billed base rent revenue. The Company records the difference between base rent revenues earned and amounts due per the respective lease agreements, as applicable, as an increase or decrease to straight-line rent receivable. Percentage rents are recognized in the period in which revenue thresholds are met. Rental payments received prior to their recognition as income are classified as rent received in advance. The Company may also receive additional rent (contingent rent) under some leases when the U.S. Department of Labor consumer price index exceeds the annual minimum percentage increase in the lease. Contingent rents are recorded as billed rent revenue in the period received.

The Company begins recording base rent income from its development projects when the lessee takes physical possession of the facility, which may be different from the stated start date of the lease. Also, during construction of its development projects, the Company is generally entitled to accrue rent based on the cost paid during the construction period (construction period rent). The Company accrues construction period rent as a receivable and deferred revenue during the construction period. When the lessee takes physical possession of the facility, the Company begins recognizing the accrued construction period rent on the straight-line method over the remaining term of the lease.

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

Acquired Real Estate Purchase Price Allocation: The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets acquired based on their fair values in accordance with the provisions of SFAS No. 141, *Business Combinations.* In making estimates of fair values for purposes of allocating purchase prices, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

The Company records above-market and below-market in-place lease values, if any, for its facilities which are based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The Company amortizes any resulting capitalized above-market lease values as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The Company amortizes any resulting capitalized below-market lease values as an increase to rental income over the initial term and any fixed-rate renewal periods in the respective leases. The Company's strategy to date has been the simultaneous acquisition of facilities and the origination of new long-term leases at market rates. Future acquisitions, in some cases, may be for properties with in-place leases which may require the evaluation of above-market and below-market lease values.

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

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

The Company amortizes the value of in-place leases, if any, to expense over the initial term of the respective leases, which range primarily from ten 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. If a tenant terminates its lease, the unamortized portion of the in-place lease value and customer relationship intangibles are charged to expense.

Real Estate and Depreciation: Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets, as follows:

Buildings and improvements	40 years
Tenant origination costs	Remaining terms of the related leases
Tenant improvements	Term of related leases
Furniture and equipment	3-7 years

Real estate is carried at depreciated cost. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Significant renovations and improvements which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives. In accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets and for Long- Lived Assets to Be Disposed Of* the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets, including an estimated liquidation amount, during the expected holding periods are less than the carrying amounts of those assets. Impairment losses are measured as the difference between carrying value and fair value of assets. For assets held for sale, impairment is measured as the difference between carrying value and fair value, less cost of disposal. Fair value is based on estimated cash flows discounted at a risk-adjusted rate of interest. The Company classifies real estate assets as held for sale when the Company has commenced an active program to sell the assets, and in the opinion of the Company's management, it is probable the asset will be sold within the next 12 months. The Company records the results of operations from material property sales or planned sales (which include real property, loans and any receivables) as discontinued operations in the consolidated statements of operations for all periods presented. Results of discontinued operations include interest expense from debt which secures the property sold or held for sale or which the company can otherwise reasonably allocate to the property.

Construction in progress includes the cost of land, the cost of construction of buildings, improvements and equipment, and costs for design and engineering. Other costs, such as interest, legal, property taxes and corporate project supervision, which can be directly associated with the project during construction, are also included in construction in progress.

Loans: Loans consists of mortgage loans, working capital loans and other long-term loans. Interest income from loans is recognized as earned based upon the principal amount outstanding. Mortgage loans are secured by interests in real property. Working capital and other long-term loans are generally secured by interests in receivables and corporate and individual guarantees.

Losses from Rent Receivables and Loans: A provision for losses on rent receivables and loans is recorded when it becomes probable that the receivable or loan will not be collected in full. The provision is an amount which reduces the rent or loan to its estimated net realizable value based on a determination of the eventual amounts to be collected either from the debtor or from the collateral, if any. At that time, the Company discontinues recording interest income on the loan or rent receivable from the tenant.

Net Income Per Share: The Company reports earnings per share pursuant to SFAS No. 128, *Earnings Per Share.* Basic net income per share is computed by dividing net income available to common stockholders by the weighted average number of common shares and contingently issuable common shares outstanding during the period. Diluted net income per share is computed by dividing 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 shares, warrants and options.

Income Taxes: The Company conducts its business as a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code. 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 is not 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 intends to operate 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 the Second Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan (the Equity Incentive Plan) that was established in 2004. The Company accounts for its stock-based awards under the recognition and measurement provisions of SFAS No. 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock Based Compensation*. Awards of restricted stock, stock options and other equity-based awards with service conditions are amortized to compensation expense over the vesting periods which range from three to five years, using the straight-line method. Awards of deferred stock units vest when granted and are charged to expense at the date of grant. Awards which contain market conditions are amortized to compensation expense over the derived vesting periods, which correspond to the periods over which the Company estimates the awards will be earned, which range from two to seven years, using the straight-line method. Awards with performance conditions are amortized using the straight-line method over the service period in which the performance conditions are measured, adjusted for the probability of achieving the performance conditions.

Derivative Financial Investments and Hedging Activities. The Company accounts for its derivative and hedging activities using SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS Nos. 137, 138 and 149 and interpreted, which requires all derivative instruments to be carried at fair value on the balance sheet.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge. This process includes specific identification of the hedging instrument and the hedge transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness in hedging the exposure to the hedged transaction's variability in cash flows attributable to the hedged risk will be assessed. Both at the inception of the hedge and on an ongoing basis, the Company assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. The Company discontinues hedge accounting if a derivative is not determined to be highly effective as a hedge or has ceased to be a highly effective hedge. The Company is not currently a party to any derivatives contracts that require accounting under SFAS No. 133.

Emerging Issues Task Force (EITF) No. 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* provides guidance on the accounting and reporting for free-standing derivative financial instruments and for embedded derivatives which are indexed to and settled in the Company's stock. EITF No. 00-19 provides criteria by which certain derivative financial instruments should be reported as liabilities or equity. It also provides guidance as to when embedded derivatives should be separated or "bifurcated" from the host instrument. The Company follows the provisions of this EITF to account for the conversion feature and "capped call" transactions related to its debt which is exchangeable for shares of the Company's common stock.

In December 2006, the FASB ratified the consensus reached by the EITF regarding EITF 00-19-2, *Accounting for Registration Payment Arrangements.* The guidance specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*.

Fair Value of Financial Instruments: The Company has various assets and liabilities that are considered financial instruments. The Company estimates that the carrying value of cash and cash equivalents, interest receivable and accounts payable and accrued expenses approximates their fair values. The Company estimates the fair value of unbilled rent receivable based on expected payment dates, discounted at a rate which the Company considers appropriate for such assets considering their credit quality and maturity. The Company estimates the fair value of loans based on the present value of future payments, discounted at a rate which the Company considers appropriate for such assets considering their credit quality and maturity. The Company estimates that the carrying value of the Company's revolving credit facility should approximate fair value because the debt is variable rate and adjusts daily with changes in the underlying interest rate index. The Company determines the fair value of its exchangeable notes based on quotes from securities dealers and market makers. The Company estimates the fair value of its senior notes based on the present value of future payments, discounted at a rate which the Company considers appropriate for such debt.

Reclassifications: Certain reclassifications have been made to the 2006 consolidated financial statements to conform to the 2007 consolidated financial statement presentation. These reclassifications have no impact on stockholders' equity or net income.

New Accounting Pronouncements: The following is a summary of recently issued accounting pronouncements which have been issued but not adopted by the Company.

In June 2006, the FASB issued Interpretation No. 48 *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109* (FIN No. 48). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109 *Accounting for Income Taxes* and prescribes a recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN No. 48 on January 1, 2007. No amounts were recorded for unrecognized tax benefits or related interest expense and penalties as a result of the implementation of FIN No. 48. The taxable periods ending December 31, 2004 through December 31, 2007 remain open to examination by the Internal Revenue Service and the tax authorities of significant jurisdictions in which the Company does business.

On July 25, 2007, the FASB authorized a FASB Staff Position (the "proposed FSP") that, if issued, would affect the accounting for our exchangeable notes. If issued in the form expected, the proposed FSP would require that the initial debt proceeds from the sale of our exchangeable notes be allocated between a liability component and an equity component. The resulting debt discount would be amortized over the period the debt is expected to be outstanding as additional interest expense. The proposed FSP would be effective for fiscal years beginning after December 15, 2007, and require retroactive application. Because the proposed FSP is currently being deliberated by the FASB and therefore subject to change, the Company has not determined the effect of the proposed FSP on its financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurement. SFAS No. 157 requires prospective application for fiscal years beginning after November 15, 2007. The Company is currently evaluating the requirements of this statement and has not yet determined its effect on the Company's future acquisitions or consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. On January 1, 2008 the Company did not elect to apply the fair value option to any specific financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141 (Revised), *Business Combinations* ("SFAS No. 141R"). SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed (including intangibles), and any noncontrolling interest in the acquiree. SFAS No. 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the requirements of this statement and has not yet determined its effect on the Company's future acquisitions or consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards for a parent company’s noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the requirements of this statement and has not yet determined its effect on the Company’s future acquisitions or consolidated financial statements.

3. Real Estate and Loans Receivable

Acquisitions

The Company has recorded the following assets from its acquisitions in 2007 and 2006:

	2007	2006
Land	$ 27,206,641	$ 7,685,622
Buildings	140,039,962	101,374,559
Intangible lease assets	29,351,852	6,478,579
	$ 196,598,455	$ 115,538,760

In 2007, the Company used funds from its 2007 common stock offering and from its revolving credit facilities to fund acquisitions and developments. In 2006, the Company used funds from its revolving credit facility as well as Senior and Exchangeable Notes to fund acquisitions and developments. The Company entered into 15 year leases with the operators of the facilities, which in certain instances were also the sellers of the facilities. Each lease has renewal options which are generally for three five year periods. The leases also contain base rent escalation provisions based on the greater of a fixed percentage or general levels of inflation.

The Company recorded amortization expense related to intangible lease assets of approximately $1,375,776 and $727,000 in 2007 and 2006, respectively, and expects to recognize amortization expense from existing lease intangible assets of approximately $2.9 million in each of the next five years. Capitalized lease intangibles have a weighted average remaining life of approximately 13 years.

Leasing Operations

Minimum rental payments due in future periods under operating leases which have non-cancelable terms extending beyond one year at December 31, 2007, are as follows:

2008	$ 68,695,777
2009	70,079,966
2010	71,498,734
2011	72,951,777
2012	74,439,934
Thereafter	731,420,804
	$ 1,089,086,992

For the years ended December 31, 2007 and 2006, Vibra Healthcare, LLC accounted for approximately 31% and 55%, respectively, of the Company’s total revenues from continuing operations and affiliates of Prime Healthcare Services, Inc. accounted for 26% and 19%, respectively of the Company’s total revenues from continuing operations.

Loans

In conjunction with the Company's purchase of six healthcare facilities in July and August 2004, the Company also made loans aggregating $49.1 million to Vibra Healthcare, LLC (Vibra). As of December 31, 2007, Vibra has reduced the balance of the loans to approximately $29.5 million. The Company has determined that Vibra is a variable interest entity. The Company has also determined that it is not the primary beneficiary of Vibra and, therefore, has not consolidated Vibra in the Company's consolidated financial statements.

In 2006, the Company made two mortgage loans totaling $65.0 million, secured by two general acute care hospitals in California. The loans require the payment of interest only during their 15 year terms with principal due in full at maturity. Interest is paid monthly and increases each year based on the annual change in the consumer price index. The loans may be prepaid under certain specified conditions. In May 2007, the Company received full payment on its mortgage loan on the Texas facility and received a prepayment fee of approximately $2.3 million. In November 2007, the Company received full payment on its mortgage loan on a facility located in Inglewood, California and received a prepayment fee of approximately $1.5 million. The borrower sold the facility to an affiliate of Prime in an unrelated transaction. The Company subsequently purchased the facility from the Prime affiliate and entered into a 15 year lease with the Prime affiliate.

In 2007, the Company made mortgage loans totaling $145.0 million to affiliates of Prime, secured by interests in Prime affiliated facilities located in California. The loans require the payment of interest only, which escalates each year based on changes in the consumer price index, during their 15 year terms with principal due in full at maturity. The loans may be prepaid under certain specified conditions.

4. Debt

The following is a summary of debt:

	As of December 31, 2007			As of December 31, 2006	
	Balance	Interest Rate		Balance	Interest Rate
Revolving credit facilities	$ 154,985,897	6.100%	-8.000%	$ 45,996,359	7.800%
Senior unsecured notes — fixed rate through July and October, 2011, due July and October, 2016	125,000,000	7.333%	-7.871%	125,000,000	7.333%-7.871%
Exchangeable senior notes due November, 2011	134,704,269	6.125%		133,965,539	6.125%
Term loan	65,835,000	6.830%		—	—
	$ 480,525,166			$ 304,961,898	

As of December 31, 2007, maturities are as follows:

2008	$ 83,660,000
2009	660,000
2010	660,000
2011	360,545,166
2012	35,000,000
Thereafter	—
Total	$ 480,525,166

In October, 2005, the Company signed a Credit Agreement for a secured revolving credit facility to replace an existing term loan. The agreement had a four year term and an interest rate of the 30-day LIBOR plus a spread ranging from 235 to 275 basis points depending upon the Company's overall leverage ratio. The Company terminated this Credit Agreement in November 2007 and paid the outstanding balance in full. In addition, the Company recorded a charge of approximately $2.6 million in unamortized financing costs as additional interest expense for the credit facility at the time of termination.

During the third quarter of 2006, the Company issued $125.0 million of Senior Unsecured Notes (the "Notes"). The Notes were placed in private transactions exempt from registration under the Securities Act of 1933, as amended, (the "Securities Act"). Notes totaling $65.0 million will pay interest quarterly at a fixed annual rate of 7.871% through July 30, 2011, thereafter, at a floating annual rate of three-month LIBOR plus 2.30% and may be called at par value by the Company at any time on or after July 30, 2011. The remaining Notes will pay interest quarterly at fixed annual rates ranging from 7.333% to 7.715% through October 30, 2011, thereafter, at a floating annual rate of three-month LIBOR plus 2.30% and may be called at par value by the Company at any time on or after October 30, 2011.

In November 2006, the Company's Operating Partnership issued and sold, in a private offering, $138.0 million of Exchangeable Senior Notes (the "Exchangeable Notes"). The Exchangeable Notes will pay interest semi-annually at a rate of 6.125% per annum (with an effective yield of 6.86%) and mature on November 15, 2011. The Exchangeable Notes have an initial exchange rate of 60.3346 Company common shares per $1,000 principal amount of the notes, representing an exchange price of approximately $16.57 per common share. The initial exchange rate is subject to adjustment under certain circumstances. At December 31, 2007, the exchange rates are 60.5566 Company common shares per $1,000 principal amount of the notes, representing an exchange price of approximately $16.51 per common share. The Exchangeable Notes are exchangeable, prior to the close of business on the second business day immediately preceding the stated maturity date at any time beginning on August 15, 2011 and also upon the occurrence of specified events, for cash up to their principal amount and the Company's common shares for the remainder of the exchange value in excess of the principal amount. Net proceeds from the offering of the Exchangeable Notes were approximately $134.0 million, after deducting the initial purchasers' discount.

Concurrently with the pricing of the Exchangeable Notes, the Operating Partnership entered into a "capped call" transaction with affiliates of the initial purchasers (the "option counterparties") in order to increase the effective exchange price of the Exchangeable Notes to $18.94 per common share. The capped call transaction is expected to reduce the potential dilution with respect to the Company's common stock upon exchange of the Exchangeable Notes to the extent the then market value per share of the Company's common stock does not exceed $18.94 during the observation period relating to an exchange. The Company has reserved approximately 8.3 million shares which may be issued in the future to settle the Exchangeable Notes. The premium of $6.3 million paid for the "capped call" transaction has been recorded as a permanent reduction to additional paid in capital in the consolidated statement of stockholders' equity.

In June, 2006, the Company exercised its option to convert the two construction loans for the West Houston Town and County Hospital and the adjacent medical office building to thirty-month term loans. The loans bore interest at the thirty-day LIBOR plus 2.50%. The loans required monthly payments of principal and interest with maturity in December, 2008 and were secured by mortgages on the hospital and medical office building. On January 17, 2007, the two properties securing these loans were sold and the loans were paid in full. Therefore, these loans are presented as Debt — real estate held-for-sale as of December 31, 2006. The interest rate on these loans as of December 31, 2006 was 7.838%.

In June, 2007, the Company signed a secured revolving bank credit facility for up to $42 million. The terms are for five years with interest at the 30-day LIBOR plus 1.50%. The amount available under the facility will decrease by $800,000 per year beginning in the third year. The facility is secured by real estate with a book value of approximately $60.8 million at December 31, 2007. This facility had an outstanding balance of $35.0 million at December, 31, 2007.

In November, 2007, the Company signed a Credit Agreement for a revolving credit facility and a term loan. The revolving credit facility has a four-year term and has an interest rate options of (1) the 30-day LIBOR plus a spread ranging from 150 to 225 basis points (6.58% at December 31, 2007) depending upon the Company's total leverage ratio or the higher of the "prime rate" or federal funds rate plus a 0.5% spread, plus a 1% margin (8.00% at December 31, 2007). The Credit Facility is secured by (i) the equity interests of the Company and certain of its subsidiaries and (ii) mortgage loans payable to the Company. The Company may borrow up to $154.0 million under the revolving credit facility. The Company may also request to increase the available line of credit to a maximum of $350.0 million by May 2009 by adding more "qualified properties" to the borrowing base. This facility had an outstanding balance of $119,985,897 and $65,835,000 on the revolving credit facility and the term loan, respectively, at December 31, 2007. The term loan has a four-year term and has an interest rate of the 30-day LIBOR plus a spread of 200 basis points (6.83% at December 31, 2007). The Company makes quarterly principal payments of $165,000 on the term loan.

Each of these debt agreements contains financial covenants which are typical for each of the agreements. The Company was in compliance with all such covenants at December 31, 2007.

5. Income Taxes

Earnings and profits, which determine the taxability of distributions to shareholders, will differ from net income reported for financial reporting purposes due to differences in cost basis, differences in the estimated useful lives used to compute depreciation, and differences between the allocation of the Company's net income and loss for financial reporting purposes and for tax reporting purposes.

Total common distributions declared were $1.08 per common share in 2007, $0.99 per common share in 2006 and $0.62 per common share in 2005. Of the dividends declared in 2005, $0.536168 per common share is treated as ordinary income for federal income tax purposes for the year ended December 31, 2005. The remaining distribution of $.083832 is treated as ordinary income for federal income tax purposes in the year ending December 31, 2006. Of the dividends declared in 2006, $0.531249 per common share is treated as ordinary income for federal income tax purposes for the year ended December 31, 2006, $0.181671 is treated as a return of capital and $0.007080 will be treated as total capital gain, all of which is unrecaptured Sec. 1250 gain. The remaining distribution of $0.27 is treated as income for federal income tax purposes in the year ending December 31, 2007. Of the dividends declared in 2007, $0.681994 per common share is treated as ordinary income for federal income tax purposes for the year ended December 31, 2006, $0.205648 is treated as a return of capital and $0.192358 will be treated as total gain, $0.085269 of which is unrecaptured Sec. 1250 gain. The remaining distribution of $0.27 declared November 16, 2007, and paid January 11, 2008, is treated as income for federal income tax purposes in the year ending December 31, 2007.

6. Earnings Per Share

The following is a reconciliation of the weighted average shares used in net income per common share — basic to the weighted average shares used in net income per common share — assuming dilution:

	For the Years Ended December 31, 2007	2006	2005	2004
Weighted average number of shares issued and outstanding	47,671,736	39,498,712	32,326,939	19,308,511
Vested deferred stock units	45,290	39,165	16,080	2,322
Weighted average shares — basic	47,717,026	39,537,877	32,343,019	19,310,833
Restricted stock and other share based awards	186,406	164,099	26,115	—
Common stock warrant	—	—	955	1,801
Weighted average shares — diluted	47,903,432	39,701,976	32,370,089	19,312,634

7. Stock Awards

The Company has adopted the Second Amended and Restated Medical Properties Trust, Inc. 2004 Equity Incentive Plan (the Equity Incentive Plan) which authorizes the issuance of common stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance units and awards of interests in the Company's Operating Partnership. The Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors. The Company has reserved 4,631,330 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. Awards under the Equity Incentive Plan are subject to forfeiture due to termination of employment prior to vesting. In the event of a change in control of the Company, all outstanding and unvested awards will immediately vest. The term of the awards is set by the Compensation Committee, though Incentive Stock Options may not have terms of more than ten years. Forfeited awards are returned to the Equity Incentive Plan and are then available to be re-issued as future awards.

SFAS No. 123(R), *Share-Based Payment*, became effective for annual and interim periods beginning January 1, 2006. The adoption of SFAS No. 123(R) had no material effect on the results of operations during the year ended December 31, 2006, nor in any prior period, because substantially all of the Company's stock-based compensation is in the form of restricted share and deferred stock unit awards. The Company's policy for recording expense from restricted share and deferred stock unit awards was not affected by SFAS No. 123(R). Under SFAS No. 123(R), the additional compensation expense which the Company would have recorded for stock options in the years ended December 31, 2006 and 2005 was not material.

A summary of option activity in 2007 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2007	100,000	$10.00
Awarded	50,000	$12.09
Exercised	(20,000)	$10.00
Outstanding at December 31, 2007	130,000	$10.80
Exercisable at December 31, 2007	80,000	$10.00

The Company awarded 50,000 options in 2007 and 60,000 stock options in 2005, with estimated grant date fair values of $1.36 per option and $1.86 per option, respectively. The options awarded in 2005 became fully vested in 2007. The options awarded in 2007 vest annually in equal amounts over three years from the date of award and expire in 2012. The Company uses the Black-Scholes pricing model to calculate the fair values of the options awarded. In 2007, the following assumptions were used to derive the fair values: an option term of four years; expected volatility of 28.34%; a weighted average risk-free rate of return of 4.62%; a dividend yield of 8.93%. The intrinsic value of options exercised in 2007 and exercisable at December 31, 2007, is approximately $97,000 and $15,000, respectively. At December 31, 2007, the weighted average remaining contractual term of options exercisable and outstanding is approximately 4.2 years and 6.0 years, respectively.

The Compensation Committee also awarded deferred stock units in 2005 and 2006 to each of the five independent directors. These deferred stock units vested on the date of the award and were recorded as a non-cash expense of $267,250 and $171,750 in 2006 and 2005, respectively. Deferred stock units may be exchanged for common stock at any time after a three year holding period from date of grant. During the holding period, deferred stock units do not receive cash dividends, but receive an equivalent amount of additional deferred stock units.

The Company's stock-based awards are in the form of service-based awards and performance-based awards. The service-based awards vest as the employee provides the required service over periods of three to seven years. Service based awards are valued at the average price per share of common stock on the date of grant. In 2006 and 2007, the Compensation Committee made awards which vest based on the Company achieving certain performance levels, stock price levels, total shareholder return or comparison to peer total return indices. The 2006 awards are based on the Company achieving levels of total shareholder return compared to an industry index. The 2007 awards were made under the Company's 2007 Management Incentive Plan (MIP) adopted by the Compensation Committee and consisted of three components: service-based awards, core performance awards (CPRE), and superior performance awards (SPRE). The service-based awards vest annually and ratably over a seven-year period beginning December 31, 2007 . The CPRE awards also vests annually and ratably over the same seven-year period contingent upon the Company's achievement of a simple 9% annual total return to shareholders (pro-rated to 7.5% for the first vesting period ending December 31, 2007). In years in which the annual total return exceeds 9%, the excess return may be used to earn CPRE awards not earned in a prior year. SPRE awards are earned based on achievement of specified share price thresholds during the period beginning March 1, 2007 through December 31, 2010, and will then vest annually and ratably over the subsequent three-year period (2011-2013). In the event that at the end of the measurement period, no SPRE awards have been earned based on the criteria set forth above but the Company has performed at or above the 50th percentile of all real estate investment trusts included in the Morgan Stanley REIT Index in terms of total return to shareholders over the same period, 33.334% of the SPRE awards will be earned as of December 31, 2010. All unvested 2007 MIP awards provide for payment of dividends and other non-liquidating distributions, except that the SPRE awards will pay dividends at 20% of the per share dividend amount. The 2007 MIP awards were made in the form of restricted shares and a new class of partnership units in the Company's Operating Partnership ("LTIP units"). The LTIP units which are earned may eventually be converted, at the Company's election, into either shares of common stock on a one-for-one basis or their equivalent in cash. The Company has valued its LTIP awards at the same per unit value as a corresponding restricted stock award. The Company's independent valuation consultant determined the value of the 2007 MIP awards' CPRE and SPRE components using a Monte Carlo simulation. The following assumptions were used to derive the fair values for the SPRE and CPRE, respectively: term — 3.4 years and 6.4 years; expected (implied) volatility 27.00% and 26.00%; risk-free rate of return 4.55% and 4.65%; and, dividends — $1.08 in 2007, $1.10 in 2008, $1.13 in 2009, and 3% annual increase thereafter through 2013. No CPRE or SPRE awards were earned in 2007.

The following summarizes restricted equity awards activity in 2007:

	Vesting Based on Service			Vesting Based on Market/Performance Conditions		
	Shares		Weighted Average Value at Award Date	Shares		Weighted Average Value at Award Date
Outstanding at January 1, 2007	504,679	$	10.18	105,375	$	11.60
Awarded	532,750	$	12.41	1,275,000	$	6.39
Vested	(348,914)	$	10.31	—		—
Forfeited	(8,000)	$	11.19	—		—
Outstanding at December 31, 2007	680,515	$	11.85	1,380,375	$	6.79

The value of stock-based awards is charged to compensation expense over the vesting periods. In the years ended December 31, 2007 and 2006, the Company recorded approximately $4.5 million and $2.9 million, respectively, of non-cash compensation expense for restricted equity awards. The remaining unrecognized cost from restricted equity awards at December 31, 2007, is approximately $15.1 million and will be recognized over a weighted average period of approximately 4.2 years. Restricted equity awards which vested in 2007 had a value of approximately $3.3 million on the vesting dates.

8. Commitments and Contingencies

Fixed minimum payments due under operating leases with non-cancelable terms of more than one year at December 31, 2007 are as follows:

2008		820,886
2009		829,704
2010		845,593
2011		859,956
2012		868,887
Thereafter		31,001,675
	$	35,226,701

The total amount to be received from non-cancellable subleases at December 31, 2007, is approximately $16.8 million.

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect the financial position, results of operations or cash flows of the Company.

9. Common Stock

In the first quarter of 2007, the Company sold 12,217,900 shares of common stock at a price of $15.60 per share, less an underwriting commission of five percent. Of the shares sold, the underwriters borrowed from third parties and sold 3,000,000 shares of Company common stock in connection with forward sale agreements between the Company and affiliates of the underwriters (the “forward purchasers”). The Company did not initially receive any proceeds from the sale of shares of Company common stock by the forward purchasers. In December 2007, the Company settled the forward sale agreements and received proceeds, net of underwriting commission of five percent and other adjustments, of approximately $43.3 million.

MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Notes To Consolidated Financial Statements — (Continued)

10. Fair Value of Financial Instruments

	December 31, 2007		December 31, 2006	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	$ 94,215,134	$ 94,215,134	$ 4,102,873	$ 4,102,873
Interest and other receivables	10,325,614	10,397,961	11,893,513	12,110,029
Straight-line rent receivable	23,637,435	6,725,371	12,686,976	4,995,269
Loans	265,758,273	293,346,951	150,172,830	173,597,486
Debt	480,525,166	467,890,112	304,961,898	319,113,009
Accounts payable and accrued expenses	21,091,374	21,091,374	30,045,642	30,045,642

11. Discontinued Operations

In 2006, the Company terminated leases for a hospital and medical office building (“MOB”) complex and re-possessed the real estate. In January, 2007, the Company sold the hospital and MOB complex for a sales price of approximately $71.7 million and recorded a gain of approximately $4.1 million, which is reported in results from discontinued operations. During the period from the lease termination to the date of sale, the hospital was leased to and operated by a third party operator under contract to the hospital. The Company has substantially funded through loans the working capital requirements of the operator pending the operator’s collection of patient receivables from Medicare and other third party payors. The accompanying financial statements include provisions to reduce such loans to their estimated net realizable value, including a $1.5 million provision recorded .

The following table presents the results of discontinued operations for the years ended December 31, 2007 and 2006.:

	For the Years Ended December 31,	
	2007	2006
Revenues	$ 132,411	$ 7,428,770
Net income	1,229,690	486,957
Earnings per share — basic and diluted	$ 0.02	$ 0.01

12. Quarterly Financial Data (unaudited)

The following is a summary of the unaudited quarterly financial information for the years ended December 31, 2007 and 2006:

	For the Three Month Periods in 2007 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 18,058,348	$ 24,591,291	$ 25,678,608	$ 27,959,116
Income from continuing operations	$ 6,045,783	$ 13,496,613	$ 12,061,780	$ 8,405,774
Income (loss) from discontinued operations	$ 4,158,169	$ (1,985,031)	$ (415,134)	$ (528,314)
Net income	$ 10,203,952	$ 11,511,582	$ 11,646,646	$ 7,877,460
Net income per share — basic	$ 0.24	$ 0.23	$ 0.24	$ 0.16
Weighted average shares outstanding — basic	42,823,619	49,040,141	49,071,806	49,761,733
Net income per share — diluted	$ 0.24	$ 0.23	$ 0.24	$ 0.16
Weighted average shares outstanding — diluted	43,070,303	49,293,328	49,371,555	50,069,759

	For the Three Month Periods in 2006 Ended			
	March 31	June 30	September 30	December 31
Revenues	$ 10,757,672	$ 10,909,814	$ 12,915,676	$ 15,888,270
Income from continuing operations	$ 7,059,218	$ 6,958,362	$ 7,817,498	$ 7,837,663
Income (loss) from discontinued operations	$ 918,392	$ 956,709	$ 856,049	$ (2,244,193)
Net income	$ 7,977,610	$ 7,915,071	$ 8,673,547	$ 5,593,470
Net income per share — basic	$ 0.20	$ 0.20	$ 0.22	$ 0.14
Weighted average shares outstanding — basic	39,428,071	39,519,695	39,529,687	39,634,127
Net income per share — diluted	$ 0.20	$ 0.20	$ 0.22	$ 0.14
Weighted average shares outstanding — diluted	39,501,723	39,757,723	39,857,355	39,937,776

ITEM 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

ITEM 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Controls over Financial Reporting

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

Management's Report on Internal Control over Financial Reporting

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

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

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

In connection with the preparation of the Company's annual financial statements, management has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31,

2007. The assessment was based upon the framework described in "Integrated Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management's assessment included an evaluation of the design of internal control over financial reporting and testing of the operational effectiveness of internal control over financial reporting. We have reviewed the results of the assessment with the Audit Committee of our Board of Directors.

Based on our evaluation under the framework in *Internal Control — Integrated Framework*, management concluded that internal control over financial reporting was effective as of December 31, 2007. KPMG, under Auditing Standard No. 5, does not express an opinion on management's assessment as occurred under Auditing Standard No. 2. Under Auditing Standard No. 5 management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. KPMG's responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on their audit.

Report of Independent Registered Public Accounting Firm

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

We have audited Medical Properties Trust, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Medical Properties Trust, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Medical Properties Trust, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, is fairly stated, in all material respects, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Medical Properties Trust, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007 and the related financial statement schedules, and our report dated March 13, 2008, expressed an unqualified opinion on those consolidated financial statements and financial statement schedules.

/s/ KPMG LLP

Birmingham, Alabama
March 13, 2008

ITEM 9B. ***Other Information***

None.

PART III

ITEM 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this Item 10 is incorporated by reference to our definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 18, 2008.

ITEM 11. ***Executive Compensation***

The information required by this Item 11 is incorporated by reference to our definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 18, 2008.

ITEM 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The information required by this Item 12 is incorporated by reference to our definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 18, 2008.

ITEM 13. ***Certain Relationships and Related Transactions, and Director Independence.***

The information required by this Item 13 is incorporated by reference to our definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 18, 2008.

ITEM 14. ***Principal Accountant Fees and Services.***

The information required by this Item 14 is incorporated by reference to our definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, which will be filed by us with the Commission not later than April 18, 2008.

PART IV

ITEM 15. ***Exhibits and Financial Statement Schedules.***

(a) Financial Statements and Financial Statement Schedules

Index of Financial Statements of Medical Properties Trust, Inc. which are included in Part II, Item 8 of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm	37
Consolidated Balance Sheets as of December 31, 2007 and 2006	38
Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006, 2005 and 2004	39
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2007, 2006, 2005 and 2004	40
Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006, 2005 and 2004	41
Notes to Consolidated Financial Statements	42
Index of Consolidated Financial Statement Schedules	
Schedule III — Real Estate and Accumulated Depreciation	66
Schedule IV — Mortgage Loan on Real Estate	68

(b) Exhibits

Exhibit Number	Exhibit Title
3.1(1)	Registrant's Second Articles of Amendment and Restatement
3.2(2)	Registrant's Amended and Restated Bylaws
3.3(3)	Articles of Amendment of Registrant's Second Articles of Amendment and Restatement
4.1(1)	Form of Common Stock Certificate
4.2(4)	Indenture, dated July 14, 2006, among Registrant, MPT Operating Partnership, L.P. and the Wilmington Trust Company, as trustee
4.3(5)	Indenture, dated November 6, 2006, among Registrant, MPT Operating Partnership, L.P. and the Wilmington Trust Company, as trustee
4.4(5)	Registration Rights Agreement among Registrant, MPT Operating Partnership, L.P. and UBS Securities LLC and J.P. Morgan Securities Inc., as representatives of the initial purchasers, dated as of November 6, 2006
10.1(11)	Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.
10.2(6)	Amended and Restated 2004 Equity Incentive Plan
10.3(7)	Form of Stock Option Award
10.4(7)	Form of Restricted Stock Award
10.5(7)	Form of Deferred Stock Unit Award
10.6(1)	Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 10, 2003
10.7(1)	First Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated March 8, 2004
10.8(1)	Employment Agreement between Registrant and R. Steven Hamner, dated September 10, 2003
10.9(1)	Amended and Restated Employment Agreement between Registrant and William G. McKenzie, dated September 10, 2003
10.10(1)	Employment Agreement between Registrant and Emmett E. McLean, dated September 10, 2003
10.11(1)	Employment Agreement between Registrant and Michael G. Stewart, dated April 28, 2005
10.12(1)	Form of Indemnification Agreement between Registrant and executive officers and directors
10.13(8)	Credit Agreement dated October 27, 2005, among MPT Operating Partnership, L.P., as borrower, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Administrative Agent and Lender, and Additional Lenders from Time to Time a Party thereto
10.14(1)	Third Amended and Restated Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane Operating Company, LLC, dated December 20, 2004
10.15(1)	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
10.16(1)	Second Amended and Restated Lease Agreement between 92 Brick Road, LLC and 92 Brick Road, Operating Company, LLC, dated December 20, 2004
10.17(1)	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
10.18(1)	Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993
10.19(1)	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
10.20(1)	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
10.21(1)	Second Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 20, 2004

Exhibit Number	Exhibit Title
10.22(1)	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
10.23(1)	Second Amended and Restated Lease Agreement between 4499 Acushnet Avenue, LLC and 4499 Acushnet Avenue Operating Company, LLC, dated December 20, 2004
10.24(1)	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
10.25(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, dated March 3, 2005
10.26(1)	Amendment to Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, DSI Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., dated April 29, 2005
10.27(1)	Lease Agreement between Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005
10.28(1)	Development Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005
10.29(1)	Funding Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005
10.30(1)	Purchase and Sale Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005
10.31(1)	Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005
10.32(1)	Sublease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005
10.33(1)	Net Ground Lease between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005
10.34(1)	Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005
10.35(1)	Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005
10.36(1)	Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005
10.37(1)	Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005
10.38(1)	Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005
10.39(1)	Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005
10.40(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005
10.41(1)	Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005
10.42(1)	Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001
10.43(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bloomington, LLC, Southern Indiana Medical Park II, LLC and Monroe Hospital, LLC, dated October 7, 2005

Exhibit Number	Exhibit Title
10.44(1)	Lease Agreement between Monroe Hospital, LLC and MPT of Bloomington, LLC, dated October 7, 2005
10.45(1)	Development Agreement among Monroe Hospital, LLC, Monroe Hospital Development, LLC and MPT of Bloomington, LLC, dated October 7, 2005
10.46(1)	Funding Agreement between Monroe Hospital, LLC and MPT of Bloomington, LLC, dated October 7, 2005
10.47(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Chino, LLC, Prime Healthcare Services, LLC, Veritas Health Services, Inc., Prime Healthcare Services, Inc., Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc., dated November 30, 2005
10.48(1)	Lease Agreement among Veritas Health Services, Inc., Prime Healthcare Services, LLC and MPT of Chino, LLC, dated November 30, 2005
10.49(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Sherman Oaks, LLC, Prime A Investments, L.L.C., Prime Healthcare Services II, LLC, Prime Healthcare Services, Inc., Desert Valley Medical Group, Inc. and Desert Valley Hospital, Inc., dated December 30, 2005
10.50(1)	Lease Agreement between MPT of Sherman Oaks, LLC and Prime Healthcare Services II, LLC, dated December 30, 2005
10.51(9)	Forward Sale Agreement between Registrant and UBS AG, London Branch, dated February 22, 2007
10.52(9)	Forward Sale Agreement between Registrant and Wachovia Bank, National Association, dated February 22, 2007
10.53(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (LTIP Units)
10.54(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (Restricted Shares)
10.55(12)	Term Loan Credit Agreement among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., as Borrower, the Several Lenders from Time to Time Parties Thereto, KeyBank National Association, as Syndication Agent, and JP Morgan Chase Bank, N.A. as Administrative Agent, with J.P. Morgan Securities Inc. and KeyBank National Association, as Joint Lead Arrangers and Bookrunners
10.56(10)	First Amendment to Term Loan Agreement
10.57(13)	Revolving Credit and Term Loan Agreement, dated November 30, 2007, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., as Borrower, the Several Lenders from Time to Time Parties Thereto, KeyBank National Association, as Syndication Agent, and JPMorgan Chase Bank, N.A. as Administrative Agent, with J.P. Morgan Securities Inc. and KeyBank National Association, as Joint Lead Arrangers and Bookrunners
10.58(13)	Second Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 29, 2006
10.59(13)	First Amendment to Employment Agreement between Registrant and R. Steven Hamner, dated September 29, 2006
10.60(13)	First Amendment to Employment Agreement between Registrant and William G. McKenzie, dated September 29, 2006
10.61(13)	First Amendment to Employment Agreement between Registrant and Emmett E. McLean, dated September 29, 2006
10.62(13)	First Amendment to Employment Agreement between Registrant and Michael G. Stewart, dated September 29, 2006
10.63(8)	Second Amended and Restated 2004 Equity Incentive Plan
21.1(13)	Subsidiaries of Registrant
23.1(13)	Consent of KPMG LLP
23.2(13)	Consent of Moss Adams LLP

Exhibit Number	Exhibit Title
31.1(13)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2(13)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32(13)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
99.1(13)(14)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of December 31, 2006 and 2005
99.2(13)(14)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of September 30, 2007

(1) Incorporated by reference to Registrant's Registration Statement on Form S-11 filed with the Commission on October 26, 2004, as amended (File No. 333-119957).

(2) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2005, filed with the Commission on July 26, 2005.

(3) Incorporated by reference to Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2005, filed with the Commission on November 10, 2005.

(4) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on July 20, 2006.

(5) Incorporated by reference to Registrant's current report on Form 8-K, filed with the Commission on November 13, 2006.

(6) Incorporated by reference to Registrant's definitive proxy statement on Schedule 14A, filed with the Commission on September 13, 2005.

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(8) Incorporated by reference to Registrant's definitive proxy statement on Schedule 14A, filed with the Commission on April 14, 2007.

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(13) Included in this Form 10-K.

(14) Since affiliates of Prime Healthcare Services, Inc. lease more than 20% of our total assets under triple net leases, the financial status of Prime may be considered relevant to investors. Prime's most recently available audited consolidated financial statements (as of and for the years ended December 31, 2006 and 2005) and Prime's most recently available financial statements (unaudited, as of and for the period ended September 30, 2007) are attached as Exhibit 99.1 and Exhibit 99.2, respectively, to this Annual Report on Form 10-K. We have not participated in the preparation of Prime's financial statements nor do we have the right to dictate the form of any financial statements provided to us by Prime.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: March 13, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Edward K. Aldag, Jr. Edward K. Aldag, Jr.	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2008
/s/ Virginia A. Clarke Virginia A. Clarke	Director	March 13, 2008
/s/ Sherry A. Kellett Sherry A. Kellett	Director	March 13, 2008
/s/ R. Steven Hamner R. Steven Hamner	Executive Vice President, Chief Financial Officer and Director (Principal Financial and Accounting Officer)	March 13, 2008
/s/ G. Steven Dawson G. Steven Dawson	Director	March 13, 2008
/s/ Robert E. Holmes Robert E. Holmes, Ph.D.	Director	March 13, 2008
/s/ William G. McKenzie William G. McKenzie	Vice Chairman of the Board	March 13, 2008
L. Glenn Orr, Jr.	Director	

SCHEDULE III — REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
December 31, 2007

Location	Type of Property	Initial Costs		Additions Subsequent to Acquisition		Cost at December 31, 2007			Accumulated Depreciation	Date of Construction	Date Acquired or Placed in Service	Depreciable Life (Years)
		Land	Buildings	Improvements	Carrying Costs	Land	Buildings(1)	Total				
Bowling Green, KY	Rehabilitation hospital	$ 3,070,000	$ 33,570,541	$ 6,500	$ —	$ 3,070,000	$ 33,577,041	$ 36,647,041	$ 2,937,553	1991	July 1, 2004	40
Thornton, CO	Rehabilitation hospital	2,130,000	6,013,142	1,010,973	—	2,130,000	7,024,115	9,154,115	517,211	1962	August 17, 2004	40
Fresno, CA	Rehabilitation hospital	1,550,000	16,363,153	129,953	—	1,550,000	16,493,106	18,043,106	1,434,093	1990	July 1, 2004	40
Marlton, NJ	Rehabilitation hospital	—	30,903,050	54,997	—	—	30,958,047	30,958,047	2,704,760	1994	July 1, 2004	40
New Bedford, NJ	Long term acute care hospital	1,400,000	19,772,169	254,645	—	1,400,000	20,026,814	21,426,814	1,653,624	1992	August 17, 2004	40
Covington, LA	Long term acute care hospital	821,429	10,238,246	—	13,843	821,429	10,252,089	11,073,518	662,027	1985	June 8, 2005	40
Denham Springs, LA	Long term acute care hospital	428,571	5,340,130	—	48,842	428,571	5,388,972	5,817,543	280,994	1965	June 8, 2005	40
Redding, CA	Rehabilitation hospital	—	19,952,023	—	3,435,931	1,629,144	21,758,810	23,387,954	1,251,589	1993	June 30, 2005	40
Sherman Oaks, CA	Acute care general hospital	5,290,000	13,586,688	—	30,721	5,290,000	13,617,409	18,907,409	682,238	1956	December 30, 2005	40
Bloomington, IN	Acute care general hospital	2,456,579	31,209,055	—	408,651	2,576,163	31,498,122	34,074,285	1,068,831	2006	August 8, 2006	40
Montclair, CA	Acute care general hospital	1,500,000	17,419,269	—	41,871	1,500,000	17,461,140	18,961,140	617,731	1971	August 9, 2006	40
Dallas, TX	Long term acute care hospital	1,000,000	13,588,870	—	(52,834)	1,000,000	13,536,036	14,536,036	450,670	2006	September 5, 2006	40
Huntington Beach, CA	Acute care general hospital	937,500	10,906,871	—	—	937,500	10,906,871	11,844,371	318,117	1965	November 8, 2006	40
La Palma, CA	Acute care general hospital	937,500	10,906,871	—	—	937,500	10,906,871	11,844,371	318,117	1971	November 8, 2006	40
Anaheim, CA	Acute care general hospital	1,875,000	21,813,742	—	8,273	1,875,000	21,822,015	23,697,015	636,391	1964	November 8, 2006	40
Luling, TX	Acute care general hospital	811,026	9,344,667	—	—	811,026	9,344,667	10,155,693	253,085	2003	December 1, 2006	40
San Antonio, TX	Rehabilitation hospital	—	10,197,664	—	—	—	10,197,664	10,197,664	276,187	1987	December 1, 2006	40
Victoria, TX	Acute care general hospital	624,596	7,196,605	—	—	624,596	7,196,605	7,821,201	194,908	1998	December 1, 2006	40
Houston, TX	Acute care general hospital	4,757,393	56,237,712	—	1,259,246	5,464,103	56,790,248	62,254,351	1,478,028	2006	December 1, 2006	40
Bensalem, PA	Acute care general hospital	6,910,904	38,184,863	—	—	6,910,904	38,184,863	45,095,767	738,609	2006	March 19, 2007	40
Portland, OR	Long term acute care hospital	3,085,134	17,858,810	—	—	3,085,134	17,858,810	20,943,944	312,966	1963	April 18, 2007	40
San Diego, CA	Acute care general hospital	6,550,000	15,652,984	—	—	6,550,000	15,652,984	22,202,984	259,878	1901	May 9, 2007	40
Redding, CA	Acute care general hospital	1,555,092	53,862,966	—	—	1,555,092	53,862,966	55,418,058	573,257	1957	August 10, 2007	40
Houston, TX	Acute care general hospital	3,501,549	34,529,923	—	—	3,501,549	34,529,923	38,031,472	360,046	1974	August 10, 2007	40
Inglewood, CA	Acute care general hospital	15,600,000	35,994,089	—	—	15,600,000	35,994,089	51,594,089	233,309	1950	November 1, 2007	40
		$ 66,792,273	$ 540,644,103	$ 1,457,068	$ 5,194,544	$ 69,247,711	$ 544,840,277	$ 614,087,988	$ 20,214,219			

	December 31, 2007	December 31, 2006	December 31, 2005
COST			
Balance at beginning of period	$ 486,435,507	$ 281,523,115	$ 122,057,232
Acquisitions	167,246,603	109,060,181	102,898,770
Transfers from construction in progress	66,039,711	94,660,739	56,409,377
Additions	9,577,459	8,476,648	157,736
Dispositions	(115,211,292)	(7,285,176)	—
Balance at end of period	$ 614,087,988	$ 486,435,507	$ 281,523,115

	December 31, 2007	December 31, 2006	December 31, 2005
ACCUMULATED DEPRECIATION			
Balance at beginning of period	$ 12,289,532	$ 5,260,219	$ 1,311,757
Depreciation	11,301,383	7,287,428	3,948,462
Depreciation on disposed properties	(3,376,696)	(258,115)	—
Balance at end of period	$ 20,214,219	$ 12,289,532	$ 5,260,219

(1) The gross cost for federal income tax purposes is $657,469,139.

SCHEDULE IV — MORTGAGE LOAN ON REAL ESTATE
MEDICAL PROPERTIES TRUST, INC. AND SUBSIDIARIES

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
Description	Interest Rate	Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages	Principal Amount of Loans Subject to Delinquent Principal or Interest
Long-term first mortgage loan:			Payable in monthly installments of interest plus principal payable in full at maturity				
Daniel Freeman Marina Hospital	10.0%	2021		(2)	40,000,000	40,000,000	(3)
Desert Valley Hospital	9.0%	2022		(2)	70,000,000	70,000,000	(3)
Chino Valley Medical Center	9.0%	2022		(2)	50,000,000	50,000,000	(3)
Paradise Valley Hospital	9.0%	2022		(2)	25,000,000	25,000,000	(3)
					$ 185,000,000	$ 185,000,000	

(1) Included in eligible properties which serve as collateral for our revolving credit facility.

(2) There were no prior liens on loans as of December 31, 2007.

(3) The mortgage loan was not delinquent with respect to principal or interest.

(4) Reconciliation of “Mortgage Loans on Real Estate:”

	Year Ended December 31,		
	2007	2006	2005
Balance at beginning of year	$ 105,000,000	$ 40,000,000	$ —
Additions during year:			
New mortgage loans and additional advances on existing loans	145,000,000	65,000,000	46,000,000
Interest income added to principal	—	—	—
Amortization of discount	—	—	—
	250,000,000	105,000,000	46,000,000
Deductions during year:			
Settled through acquisition of real estate	25,000,000	—	6,000,000
Collection of principal	40,000,000	—	—
Foreclosure	—	—	—
	—	—	6,000,000
Balance at end of year	$ 185,000,000	$ 105,000,000	$ 40,000,000

INDEX TO EXHIBITS

Exhibit Number	Exhibit Title
3.1(1)	Registrant's Second Articles of Amendment and Restatement
3.2(2)	Registrant's Amended and Restated Bylaws
3.3(3)	Articles of Amendment of Registrant's Second Articles of Amendment and Restatement
4.1(1)	Form of Common Stock Certificate
4.2(4)	Indenture, dated July 14, 2006, among Registrant, MPT Operating Partnership, L.P. and the Wilmington Trust Company, as trustee
4.3(5)	Indenture, dated November 6, 2006, among Registrant, MPT Operating Partnership, L.P. and the Wilmington Trust Company, as trustee
4.4(5)	Registration Rights Agreement among Registrant, MPT Operating Partnership, L.P. and UBS Securities LLC and J.P. Morgan Securities Inc., as representatives of the initial purchasers, dated as of November 6, 2006
10.1(11)	Second Amended and Restated Agreement of Limited Partnership of MPT Operating Partnership, L.P.
10.2(6)	Amended and Restated 2004 Equity Incentive Plan
10.3(7)	Form of Stock Option Award
10.4(7)	Form of Restricted Stock Award
10.5(7)	Form of Deferred Stock Unit Award
10.6(1)	Employment Agreement between Registrant and Edward K. Aldag, Jr., dated September 10, 2003
10.7(1)	First Amendment to Employment Agreement between Registrant and Edward K. Aldag, Jr., dated March 8, 2004
10.8(1)	Employment Agreement between Registrant and R. Steven Hamner, dated September 10, 2003
10.9(1)	Amended and Restated Employment Agreement between Registrant and William G. McKenzie, dated September 10, 2003
10.10(1)	Employment Agreement between Registrant and Emmett E. McLean, dated September 10, 2003
10.11(1)	Employment Agreement between Registrant and Michael G. Stewart, dated April 28, 2005
10.12(1)	Form of Indemnification Agreement between Registrant and executive officers and directors
10.13(8)	Credit Agreement dated October 27, 2005, among MPT Operating Partnership, L.P., as borrower, and Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc., as Administrative Agent and Lender, and Additional Lenders from Time to Time a Party thereto
10.14(1)	Third Amended and Restated Lease Agreement between 1300 Campbell Lane, LLC and 1300 Campbell Lane Operating Company, LLC, dated December 20, 2004
10.15(1)	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
10.16(1)	Second Amended and Restated Lease Agreement between 92 Brick Road, LLC and 92 Brick Road, Operating Company, LLC, dated December 20, 2004
10.17(1)	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
10.18(1)	Ground Lease Agreement between West Jersey Health System and West Jersey/Mediplex Rehabilitation Limited Partnership, dated July 15, 1993
10.19(1)	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
10.20(1)	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
10.21(1)	Second Amended and Restated Lease Agreement between 8451 Pearl Street, LLC and 8451 Pearl Street Operating Company, LLC, dated December 20, 2004
10.22(1)	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

Exhibit Number	Exhibit Title
10.23(1)	Second Amended and Restated Lease Agreement between 4499 Acushnet Avenue, LLC and 4499 Acushnet Avenue Operating Company, LLC, dated December 20, 2004
10.24(1)	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
10.25(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and DSI Facility Development, LLC, dated March 3, 2005
10.26(1)	Amendment to Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bucks County Hospital, L.P., Bucks County Oncoplastic Institute, LLC, DSI Facility Development, LLC, Jerome S. Tannenbaum, M.D., M. Stephen Harrison and G. Patrick Maxwell, M.D., dated April 29, 2005
10.27(1)	Lease Agreement between Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005
10.28(1)	Development Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005
10.29(1)	Funding Agreement among DSI Facility Development, LLC, Bucks County Oncoplastic Institute, LLC and MPT of Bucks County, L.P., dated September 16, 2005
10.30(1)	Purchase and Sale Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005
10.31(1)	Contract for Purchase and Sale of Real Property between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005
10.32(1)	Sublease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005
10.33(1)	Net Ground Lease between North Cypress Property Holdings, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005
10.34(1)	Lease Agreement between MPT of North Cypress, L.P. and North Cypress Medical Center Operating Company, Ltd., dated as of June 1, 2005
10.35(1)	Net Ground Lease between Northern Healthcare Land Ventures, Ltd. and MPT of North Cypress, L.P., dated as of June 1, 2005
10.36(1)	Construction Loan Agreement between North Cypress Medical Center Operating Company, Ltd. and MPT Finance Company, LLC, dated June 1, 2005
10.37(1)	Purchase, Sale and Loan Agreement among MPT Operating Partnership, L.P., MPT of Covington, LLC, MPT of Denham Springs, LLC, Covington Healthcare Properties, L.L.C., Denham Springs Healthcare Properties, L.L.C., Gulf States Long Term Acute Care of Covington, L.L.C. and Gulf States Long Term Acute Care of Denham Springs, L.L.C., dated June 9, 2005
10.38(1)	Lease Agreement between MPT of Covington, LLC and Gulf States Long Term Acute Care of Covington, L.L.C., dated June 9, 2005
10.39(1)	Promissory Note made by Denham Springs Healthcare Properties, L.L.C. in favor of MPT of Denham Springs, LLC, dated June 9, 2005
10.40(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Redding, LLC, Vibra Healthcare, LLC and Northern California Rehabilitation Hospital, LLC, dated June 30, 2005
10.41(1)	Lease Agreement between Northern California Rehabilitation Hospital, LLC and MPT of Redding, LLC, dated June 30, 2005
10.42(1)	Amendment No. 1 to Ground Lease Agreement between National Medical Specialty Hospital of Redding, Inc. and Ocadian Care Centers, Inc., dated November 29, 2001
10.43(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Bloomington, LLC, Southern Indiana Medical Park II, LLC and Monroe Hospital, LLC, dated October 7, 2005
10.44(1)	Lease Agreement between Monroe Hospital, LLC and MPT of Bloomington, LLC, dated October 7, 2005
10.45(1)	Development Agreement among Monroe Hospital, LLC, Monroe Hospital Development, LLC and MPT of Bloomington, LLC, dated October 7, 2005

Exhibit Number	Exhibit Title
10.46(1)	Funding Agreement between Monroe Hospital, LLC and MPT of Bloomington, LLC, dated October 7, 2005
10.47(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Chino, LLC, Prime Healthcare Services, LLC, Veritas Health Services, Inc., Prime Healthcare Services, Inc., Desert Valley Hospital, Inc. and Desert Valley Medical Group, Inc., dated November 30, 2005
10.48(1)	Lease Agreement among Veritas Health Services, Inc., Prime Healthcare Services, LLC and MPT of Chino, LLC, dated November 30, 2005
10.49(1)	Purchase and Sale Agreement among MPT Operating Partnership, L.P., MPT of Sherman Oaks, LLC, Prime A Investments, L.L.C., Prime Healthcare Services II, LLC, Prime Healthcare Services, Inc., Desert Valley Medical Group, Inc. and Desert Valley Hospital, Inc., dated December 30, 2005
10.50(1)	Lease Agreement between MPT of Sherman Oaks, LLC and Prime Healthcare Services II, LLC, dated December 30, 2005
10.51(9)	Forward Sale Agreement between Registrant and UBS AG, London Branch, dated February 22, 2007
10.52(9)	Forward Sale Agreement between Registrant and Wachovia Bank, National Association, dated February 22, 2007
10.53(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (LTIP Units)
10.54(11)	Form of Medical Properties Trust, Inc. 2007 Multi-Year Incentive Plan Award Agreement (Restricted Shares)
10.55(12)	Term Loan Credit Agreement among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., as Borrower, the Several Lenders from Time to Time Parties Thereto, KeyBank National Association, as Syndication Agent, and JP Morgan Chase Bank, N.A. as Administrative Agent, with J.P. Morgan Securities Inc. and KeyBank National Association, as Joint Lead Arrangers and Bookrunners
10.56(10)	First Amendment to Term Loan Agreement
10.57(13)	Revolving Credit and Term Loan Agreement, dated November 30, 2007, among Medical Properties Trust, Inc., MPT Operating Partnership, L.P., as Borrower, the Several Lenders from Time to Time Parties Thereto, KeyBank National Association, as Syndication Agent, and JPMorgan Chase Bank, N.A. as Administrative Agent, with J.P. Morgan Securities Inc. and KeyBank National Association, as Joint Lead Arrangers and Bookrunners
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21.1(13)	Subsidiaries of Registrant
23.1(13)	Consent of KPMG LLP
23.2(13)	Consent of Moss Adams LLP
31.1(13)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2(13)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32(13)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350

Exhibit Number	Exhibit Title
99.1(13)(14)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of December 31, 2006 and 2005
99.2(13)(14)	Consolidated Financial Statements of Prime Healthcare Services, Inc. as of September 30, 2007

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Exhibit 10.57

Execution Version

REVOLVING CREDIT AND
TERM LOAN AGREEMENT

among

MEDICAL PROPERTIES TRUST, INC.

MPT OPERATING PARTNERSHIP, L.P.,
as Borrower,

The Several Lenders from Time to Time Parties Hereto,

KEYBANK NATIONAL ASSOCIATION,
as Syndication Agent,

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

Dated as of November 30, 2007

J.P. MORGAN SECURITIES INC. AND KEYBANK NATIONAL ASSOCIATION,
as Joint Lead Arrangers and Bookrunners

TABLE OF CONTENTS

		Page
SECTION 1.	DEFINITIONS	1
1.1	Defined Terms	1
1.2	Other Definitional Provisions	22
SECTION 2.	AMOUNT AND TERMS OF COMMITMENTS	23
2.1	Term Commitments	23
2.2	Procedure for Term Loan Borrowing	23
2.3	Repayment of Term Loans	23
2.4	Revolving Commitments	24
2.5	Procedure for Revolving Loan Borrowing	25
2.6	Swingline Commitment	25
2.7	Procedure for Swingline Borrowing; Refunding of Swingline Loans	26
2.8	Commitment Fees, etc	27
2.9	Termination or Reduction of Revolving Commitments	27
2.10	Optional Prepayments	28
2.11	Mandatory Prepayments and Commitment Reductions	28
2.12	Conversion and Continuation Options	29
2.13	Limitations on Eurodollar Tranches	30
2.14	Interest Rates and Payment Dates	30
2.15	Computation of Interest and Fees	31
2.16	Inability to Determine Interest Rate	31
2.17	Pro Rata Treatment and Payments	31
2.18	Requirements of Law	33
2.19	Taxes	34
2.20	Indemnity	36
2.21	Change of Lending Office	36
2.22	Replacement of Lenders	37
2.23	Incremental Commitments	38

		Page
SECTION 3.	LETTERS OF CREDIT	39
3.1	L/C Commitment	39
3.2	Procedure for Issuance of Letter of Credit	39
3.3	Fees and Other Charges	40
3.4	L/C Participations	40
3.5	Reimbursement Obligation of the Borrower	41
3.6	Obligations Absolute	42
3.7	Letter of Credit Payments	42
3.8	Applications	42
SECTION 4.	REPRESENTATIONS AND WARRANTIES	42
4.1	Financial Condition	42
4.2	No Change	43
4.3	Existence; Compliance with Law	43
4.4	Power; Authorization; Enforceable Obligations	44
4.5	No Legal Bar	44
4.6	Litigation	44
4.7	No Default	44
4.8	Ownership of Property; Liens	44
4.9	Intellectual Property	45
4.10	Taxes	45
4.11	Federal Regulations	45
4.12	Labor Matters	45
4.13	ERISA	45
4.14	Investment Company Act; Other Regulations	46
4.15	Subsidiaries	46
4.16	Use of Proceeds	46
4.17	Environmental Matters	46
4.18	Accuracy of Information, etc	47
4.19	Security Documents	48
4.20	Solvency	48

		Page
4.21	Certain Documents	48
4.22	Status of Holdings	48
SECTION 5.	CONDITIONS PRECEDENT	48
5.1	Conditions to Initial Extension of Credit	48
5.2	Conditions to Each Extension of Credit	50
SECTION 6.	AFFIRMATIVE COVENANTS	51
6.1	Financial Statements	51
6.2	Certificates; Other Information	52
6.3	Payment of Obligations	53
6.4	Maintenance of Existence; Compliance	53
6.5	Maintenance of Property; Insurance	53
6.6	Inspection of Property; Books and Records; Discussions	53
6.7	Notices	53
6.8	Environmental Laws	54
6.9	Distributions in the Ordinary Course	54
6.10	Additional Collateral, etc	55
6.11	Notices of Asset Sales or Dispositions	56
6.12	Maintenance of Ratings	56
SECTION 7.	NEGATIVE COVENANTS	56
7.1	Financial Condition Covenants	56
7.2	Indebtedness	58
7.3	Liens	59
7.4	Fundamental Changes	60
7.5	Disposition of Property	60
7.6	Restricted Payments	60
7.7	[Reserved]	61
7.8	Investments	61
7.9	Optional Payments and Modifications of Certain Debt Instruments	61
7.10	Transactions with Affiliates	61
7.11	Sales and Leasebacks	62

		Page
7.12	Swap Agreements	62
7.13	Changes in Fiscal Periods	62
7.14	Negative Pledge Clauses	62
7.15	Clauses Restricting Subsidiary Distributions	62
7.16	Lines of Business	62
SECTION 8.	EVENTS OF DEFAULT	62
SECTION 9.	THE AGENTS	66
9.1	Appointment	66
9.2	Delegation of Duties	66
9.3	Exculpatory Provisions	66
9.4	Reliance by Administrative Agent	67
9.5	Notice of Default	67
9.6	Non-Reliance on Agents and Other Lenders	67
9.7	Indemnification	68
9.8	Agent in Its Individual Capacity	68
9.9	Successor Administrative Agent	68
9.10	Syndication Agent	69
SECTION 10.	MISCELLANEOUS	69
10.1	Amendments and Waivers	69
10.2	Notices	70
10.3	No Waiver; Cumulative Remedies	71
10.4	Survival of Representations and Warranties	71
10.5	Payment of Expenses and Taxes	71
10.6	Successors and Assigns; Participations and Assignments	72
10.7	Adjustments; Set-off	75
10.8	Counterparts	76
10.9	Severability	76
10.10	Integration	76
10.11	Governing Law	76
10.12	Submission To Jurisdiction; Waivers	76

		Page
10.13	Acknowledgements	77
10.14	Releases of Guarantees and Liens	77
10.15	Confidentiality	78
10.16	WAIVERS OF JURY TRIAL	78
10.17	USA PATRIOT Act	78

<u>SCHEDULES</u>:

ES	Excluded Subsidiaries
PBBP	Pooled Borrowing Base Properties
1.1A	Commitments
4.4	Consents, Authorizations, Filings and Notices
4.15	Subsidiaries
4.19(a)	UCC Filing Jurisdictions
4.23(a)	Properties
4.23(b)	Borrowing Base Properties
7.2(d)	Existing Indebtedness
7.3(f)	Existing Liens

<u>EXHIBITS</u>:

A	Form of Guarantee and Collateral Agreement
B	Form of Compliance Certificate
C	Form of Closing Certificate
D	Form of Assignment and Assumption
E	Form of Borrowing Request

REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Agreement"), dated as of November 30, 2007, among MEDICAL PROPERTIES TRUST, INC., a Maryland corporation ("Holdings"), MPT OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), KEYBANK NATIONAL ASSOCIATION, as syndication agent (in such capacity, the "Syndication Agent"), and JPMORGAN CHASE BANK, N.A., as administrative agent.

The parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus $^1/_2$ of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank, N.A. in connection with extensions of credit to debtors). Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans": Loans the rate of interest applicable to which is based upon the ABR.

"Adjusted NOI": for any fiscal period, the NOI (or pro rata share of NOI from any Real Property owned by an unconsolidated Subsidiary or joint venture of the Borrower) from any Real Property *minus* the Capital Expenditure Reserve net of the amount of such Capital Expenditure Reserve provided by tenants pursuant to leases for such Real Property and adjusted to remove the effect of recognizing rental income on a straight-line basis over the applicable lease term.

"Adjustment Date": as defined in the definition of "Pricing Grid".

"Administrative Agent": JPMorgan Chase Bank, N.A., together with its affiliates, as the arranger of the Commitments and as the administrative agent for the Lenders under this Agreement and the other Loan Documents, together with any of its successors.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agents": the collective reference to the Syndication Agent and the Administrative Agent.

"Aggregate Exposure": with respect to any Lender at any time, an amount equal to (a) until the Funding Date, the aggregate amount of such Lender's Commitments at such time and (b) thereafter, the sum of (i) the aggregate then unpaid principal amount of such Lender's Term Loans and (ii) the amount of such Lender's Revolving Commitment then in effect or, if the Revolving Commitments have been terminated, the amount of such Lender's Revolving Extensions of Credit then outstanding.

"Aggregate Exposure Percentage": with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

"Agreement": as defined in the preamble hereto.

"Applicable Margin": for each Type of Loan, the rate per annum set forth under the relevant column heading below:

	ABR Loans	Eurodollar Loans
Revolving Loans and Swingline Loans	0.75%	1.75%
Term Loans	1.00%	2.00%

; provided, that (a) on and after the first Adjustment Date occurring after the Closing Date, the Applicable Margin with respect to Revolving Loans and Swingline Loans will be determined pursuant to the Pricing Grid and (b) if the Total Leverage Ratio exceeds 55%, the Applicable Margin for Term Loans shall be 1.25% for ABR Loans and 2.25% for Eurodollar Loans, effective as of the Adjustment Date.

"Application": an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Approved Fund": as defined in Section 10.6(b).

"Asset Sale": any Disposition of property or series of related Dispositions of any Borrowing Base Property or any Mortgage Note included in the computation of Borrowing Base Value (excluding any such Disposition permitted by clause (a), (b), (c) or (d) of Section 7.5) that yields gross proceeds to any Group Member (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of $500,000.

"Assignee": as defined in Section 10.6(b).

"Assignment and Assumption": an Assignment and Assumption, substantially in the form of Exhibit D.

"Available Revolving Commitment": as to any Revolving Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Commitment then in effect over (b) such Lender's Revolving Extensions of Credit then outstanding; provided, that in calculating any Lender's Revolving Extensions of Credit for the purpose of determining such Lender's Available Revolving Commitment pursuant to Section 2.8(a), the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

"Benefitted Lender": as defined in Section 10.7(a).

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrowing Base NOI": for any fiscal period, the total Adjusted NOI attributable to all Borrowing Base Properties for such period plus the net income attributable to unencumbered Mortgage Notes included in the computation of Borrowing Base Value.

"Borrowing Base Property": any Real Property that meets each of the following criteria as of the date of determination, provided that the addition of a Borrowing Base Property after the Closing Date shall also be subject to the requirements of Section 6.10(b):

1. Such Real Property is either (i) 100% fee owned or ground leased (with a remaining term of at least 40 years and the ability to qualify for financing under traditional long term financing terms and conditions), by Borrower or a Guarantor or (ii) at least 51% owned by the Borrower, directly or indirectly, so long as the Borrower controls the sale and financing of such Real Property.

2. Such Real Property is either (A) improved with one or more completed medical buildings of a type consistent with the Borrower's business strategy or (B) a Pre-Stabilized Asset.

3. (a) The equity interests in the owner of such Real Property are pledged to the Administrative Agent and (b) such Real Property is not directly or indirectly subject to any Lien (other than Liens permitted under clauses (a) through (e) of Section 7.3) or any negative pledge agreement or other agreement that prohibits the creation of a Lien.

4. The representations in Section 4.17 are true with respect to such Real Property.

5. The buildings and improvements on such Real Property are free of material defects which would materially decrease the value of such Real Property.

6. Such Real Property is located in the United States.

7. Such Real Property is subject to a triple-net lease with a tenant, such lease is not in default after giving effect to applicable cure periods, and such tenant is not in bankruptcy or similar insolvency proceedings.

"Borrowing Base Value": an amount equal to the sum without duplication of (i) the lower of the undepreciated cost or market value of those Borrowing Base Properties that are 100% fee owned or ground leased by the Borrower or a Guarantor, plus (ii) the pro rata share of the lower of the undepreciated cost or market value of those Borrowing Base Properties that are at least 51% owned by the Borrower, directly or indirectly, plus (iii) the book value of unencumbered Mortgage Notes so long as (A) the real estate securing such Mortgage Note meets the criteria for a Borrowing Base Property (other than clauses (1), 3(a) and (7) of the definition thereof) and (B) such Mortgage Note is not more than 60 days past due or otherwise in default after giving effect to applicable cure periods and (C) such Mortgage Note is pledged to the Administrative Agent, plus (iv) unrestricted cash and Cash Equivalents in excess of $10,000,000, all, except for clause (ii), as determined on a consolidated basis in accordance with GAAP;

provided that (A) not more than 30% of Borrowing Base Value shall be attributable to Mortgage Notes, (B) not more than 20% of Borrowing Base Value may be attributable to any single Borrowing Base Property, (C) not more than 15% of Borrowing Base Value may be attributable to single Borrowing Base Properties (other than Pre-Stabilized Assets) which have a Lease Coverage Ratio below 1.5 to 1.0 or Pooled Borrowing Base Properties which have an aggregate Lease Coverage Ratio of 1.5 to 1.0, and any Borrowing Base Property or Pooled Borrowing Base Properties which fail to achieve such Lease Coverage Ratio for more than two consecutive quarters shall cease to be eligible for inclusion in the calculation of Borrowing Base Value, (D) not more than 20% of Borrowing Base Value may be attributable to Pre-Stabilized Assets (other than Credit-Enhanced Pre-Stabilized Assets), (E) not more than 10% of Borrowing Base Value may be attributable to Credit-Enhanced Pre-Stabilized Assets, (F) not more than 30% of Borrowing Base Value may be attributable to Borrowing Base Properties and Mortgage Notes for which a single Person is the tenant or obligor (and where any tenant or obligor is a joint venture in which a Person holds an interest, only such Person's pro-rata share of the Borrowing Base Value attributable to the Borrowing Base Property or Mortgage Note owned by such joint venture shall be counted against such Person for purposes of this clause (F)), and (G) not more than 15% of Borrowing Base Value may be attributable to Borrowing Base Properties that are not wholly-owned by the Borrower or a Guarantor.

"Borrowing Date": any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Business": as defined in Section 4.17(b).

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, provided, that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"Capital Expenditure Reserve": for any Real Property, the greater of (a) the amount of reserves required to be provided by tenants under either the lease (or related lease documentation) for or the Mortgage Note (or related loan documentation) secured by such Property or (b) $1,500 per medical bed which is in service and located at such Real Property.

“Capital Expenditures”: for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

“Capital Lease Obligations”: as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital Stock”: any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

“Cash Equivalents”: (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A-1 by Standard & Poor’s Ratings Services (“S&P”) or P-1 by Moody’s Investors Service, Inc. (“Moody’s”), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody’s; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; or (h) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended, (ii) are rated AAA by S&P and Aaa by Moody’s and (iii) have portfolio assets of at least $5,000,000,000.

“Closing Date”: the date hereof.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to any Lender, the sum of the Term Commitment and the Revolving Commitment of such Lender.

"Commitment Fee Rate": for any calendar quarter (a) 0.35% per annum if the average daily amount of the aggregate Available Revolving Commitments of all Revolving Lenders for such quarter is greater than 50% of the Total Revolving Commitments and (b) 0.20% per annum if the average daily amount of the aggregate Available Revolving Commitments of all Revolving Lenders for such quarter is less than or equal to 50% of the Total Revolving Commitments.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Conduit Lender": any special purpose corporation organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument; provided, that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 2.18, 2.19, 2.20 or 10.5 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment.

"Confidential Information Memorandum": the Confidential Information Memorandum dated October, 2007 and furnished to certain Lenders.

"Continuing Directors": the directors of Holdings on the Closing Date, and each other director, if, in each case, such other director's nomination for election or appointment to the board of directors of Holdings is made by, or at the direction of, at least 66-2/3% of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control Investment Affiliate": as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person and (b) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Credit-Enhanced Pre-Stabilized Assets": the Pre-Stabilized Assets consisting of (a) as of the Closing Date, (i) the Real Property known as Paradise Valley, so long as the obligations of the tenant thereunder are guaranteed by Prime Healthcare Services, Inc. and (ii) the Real Property known as Centinela Hospital Medical Center, so long as the obligations of the tenant thereunder are guaranteed by Prime Healthcare Services, Inc. and (b) such other properties and guarantors as are proposed by the Borrower and are reasonably acceptable to the Administrative Agent. Each of such properties shall continue to be treated as a Credit-Enhanced Pre-Stabilized Asset until the earlier of (x) such Real Property individually achieves a Lease Coverage Ratio of at least 1.5 to 1.0, or any group of Pooled Borrowing Base Properties achieves an aggregate Lease Coverage Ratio of 1.5 to 1.0, or (y) the 18-month anniversary of completion of construction, redevelopment or acquisition of such Real Property, provided that such completion shall be evidenced by (i) an officer's certificate attesting to such completion in the case of construction, or (ii) a valid license to operate and an executed lease in the case of a Pre-Stabilized Asset or an asset that requires redevelopment or repositioning.

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Disposition": with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer, or other disposition thereof. The terms "Dispose" and "Disposed of" shall have correlative meanings.

"Dollars" and "$": dollars in lawful currency of the United States.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

"EBITDA": for any fiscal period for any Person, consolidated net income (or loss) before interest, taxes, depreciation and amortization, calculated for such period on a consolidated basis in conformity with GAAP, excluding gains and losses from extraordinary items and non-recurring items or asset sales or write-ups/write-downs or forgiveness of indebtedness.

"EBITDAR": for any fiscal period for any Person, consolidated net income (or loss) before interest, taxes, depreciation, amortization and rent or operating lease expense, calculated for such period on a consolidated basis in conformity with GAAP, excluding gains and losses from extraordinary items and non-recurring items or asset sales or write-ups/write-downs or forgiveness of indebtedness.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any

Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page LIBOR 01 of the Reuters screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page LIBOR 01 of the Reuters screen (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Eurodollar Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"Event of Default": any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Excluded Foreign Subsidiary": any Foreign Subsidiary.

"Excluded Subsidiaries": the Subsidiaries of the Borrower listed on Schedule ES attached hereto.

"Existing Credit Agreement": the Credit Agreement dated as of October 27, 2005 among the Borrower, Merrill Lynch Capital, as Administrative Agent, and the lenders party thereto, as the same may be modified or amended or the provisions thereof waived from time to time.

"Existing Term Loan Agreement": the Term Loan Credit Agreement dated as of August 9, 2007 among the Borrower, Holdings, JPMorgan Chase Bank, N.A., as Administrative Agent and the Lenders party thereto, as amended to date.

"Facility": each of (a) the Term Commitments and the Term Loans made thereunder (the "Term Facility") and (b) the Revolving Commitments and the extensions of credit made thereunder (the "Revolving Facility"), and collectively, the "Facilities".

"Facility Indebtedness": the sum of the outstanding principal amount of the Term Loans plus the Total Revolving Extensions of Credit.

"Facility Interest Expense": for any fiscal period, the amount of Interest Expense on Facility Indebtedness.

"Federal Funds Effective Rate": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by JPMorgan Chase Bank, N.A. from three federal funds brokers of recognized standing selected by it.

"Fee Payment Date": the first Business Day following the last day of each March, June, September and December and the last day of the Revolving Commitment Period.

"FFO": for any fiscal period, "funds from operations" of the Group Members as defined in accordance with resolutions adopted by the Board of Governors of the National Association of Real Estate Investment Trusts as in effect from time to time; provided that FFO shall (a) be based on net income after payment of distributions to holders of preferred partnership units in the Borrower and distributions necessary to pay holders of preferred stock of the Company, (b) at all times exclude (i) charges for impairment losses from property sales and (ii) non-recurring charges and (c) from the Closing Date through the first anniversary of the Closing Date, include gains from asset sales.

"Foreign Subsidiary": any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Funding Date": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied.

"Funding Office": the office of the Administrative Agent specified in Section 10.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

"GAAP": generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements referred to in Section 4.1(b). In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to reflect equitably such Accounting Changes with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

"Governmental Authority": any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"Group Members": the collective reference to Holdings, the Borrower and their respective Subsidiaries.

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by Holdings, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantors": the collective reference to Holdings and the Subsidiary Guarantors.

"Holdings": as defined in the preamble hereto.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, surety bonds or similar arrangements, (g) the liquidation value of all redeemable preferred Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, (j) all obligations under so-called forward equity purchase contracts to the extent such obligations are not payable solely in equity interests, (k) all obligations in respect of any so-called "synthetic lease" (i.e., a lease of property which is treated as an operating lease under GAAP and as a loan for U.S. income tax purposes) and (l) such obligor's liabilities, contingent or otherwise of the type set forth in (a) through (h) above, under any joint-venture, limited liability company or partnership agreement, and (m) for the purposes of Section 8(e) only, all obligations of such Person in respect of Swap Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

“Insolvency”: with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

“Insolvent”: pertaining to a condition of Insolvency.

“Intellectual Property”: the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Expense”: for any fiscal period, an amount equal to the sum of the following with respect to all Total Indebtedness: (i) total interest expense, accrued in accordance with GAAP, plus (ii) all capitalized interest determined in accordance with GAAP, plus (iii) the amortization of deferred financing costs (including the Borrower’s prorata share thereof for unconsolidated Subsidiaries and joint ventures).

“Interest Payment Date”: (a) as to any ABR Loan (other than any Swingline Loan), the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period, (d) as to any Loan (other than any Revolving Loan that is an ABR Loan and any Swingline Loan), the date of any repayment or prepayment made in respect thereof and (e) as to any Swingline Loan, the day that such Loan is required to be repaid.

“Interest Period”: as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M., New York City time, on the date that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) the Borrower may not select an Interest Period under a particular Facility that would extend beyond the Revolving Termination Date or the Term Loan Maturity Date, as the case may be;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iv) the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

"Investments": as defined in Section 7.8.

"Issuing Lender": JPMorgan Chase Bank, N.A. or any affiliate thereof, in its capacity as issuer of any Letter of Credit.

"L/C Commitment": $15,000,000.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

"L/C Participants": the collective reference to all the Revolving Lenders other than the Issuing Lender.

"Lease Coverage Ratio": for any Person or property, the ratio of EBITDAR for such Person or property to the aggregate rent payable under leases with respect to such Person or property for any quarter.

"Lenders": as defined in the preamble hereto; provided, that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Conduit Lender.

"Letters of Credit": as defined in Section 3.1(a).

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Lender pursuant to this Agreement.

"Loan Documents": this Agreement, the Security Documents, the Notes and any amendment, waiver, supplement or other modification to any of the foregoing.

"Loan Parties": each Group Member that is a party to a Loan Document.

"Majority Facility Lenders": with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans or the Total Revolving Extensions of Credit, as the case may be, outstanding under such Facility (or, in the case of the Revolving Facility, prior to any termination of the Revolving Commitments, the holders of more than 50% of the Total Revolving Commitments).

"Material Adverse Effect": a material adverse effect on (a) the business, property, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Moody's": as defined in the definition of Cash Equivalents.

"Mortgage Note": as defined in the definition of Total Asset Value.

"Mortgage Secured Indebtedness": the portion of Total Indebtedness which is secured by a mortgage Lien on Real Property.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received), net of attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document) and other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (b) in connection with any issuance or sale of Capital Stock or any incurrence of Indebtedness, the cash proceeds received from such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"Net Operating Income ("NOI")": for any fiscal period, and with respect to any Real Property, the total rental and other operating income from the operation of such Real Property after deducting all expenses and other proper charges incurred in connection with the operation of such Real Property during such fiscal period, including, without limitation, property operating expenses, real estate taxes and bad debt expenses, but before payment or provision for

Total Fixed Charges, income taxes, and depreciation, amortization, and other non-cash expenses, all as determined in accordance with GAAP. In the case of Real Property owned by Affiliates of the Borrower which are not wholly-owned by the Borrower, Net Operating Income shall be reduced by the amount of cash flow of such Affiliate allocated for distribution to the other owners of such Affiliate.

"Non-Excluded Taxes": as defined in Section 2.19(a).

"Non-U.S. Lender": as defined in Section 2.19(d).

"Notes": the collective reference to any promissory note evidencing Loans.

"Obligations": the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant": as defined in Section 10.6(c).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pooled Borrowing Base Properties": the Borrowing Base Properties consisting of (a) as of the Closing Date, those properties set forth on Schedule PBBP for which the underlying leases relating to such properties are cross-defaulted, and (b) after the Closing Date, such other additional or replacement Borrowing Base Properties which are reasonably acceptable to the Administrative Agent for addition to Schedule PBBP from time to time.

"Pre-Stabilized Asset": a Real Property or a Mortgage Note secured by a Real Property, in each case where such Real Property is in the process of being constructed, redeveloped or repositioned with one or more medical buildings of a type consistent with the Borrower's business strategy and is proceeding to completion without undue delay. Any such Real Property or Mortgage Note shall continue to be treated as a Pre-Stabilized Asset until the earlier of (a) such Real Property individually achieves a Lease Coverage Ratio of at least 1.5 to 1.0, or any group of Pooled Borrowing Base Properties of which such Real Property is a part achieves an aggregate Lease Coverage Ratio of 1.5 to 1.0, or (b) the 18-month anniversary of completion of construction, redevelopment or acquisition of such Real Property, provided that such completion shall be evidenced by (i) an officer's certificate attesting to such completion in the case of construction, or (ii) a valid license to operate and an executed lease in the case of a Pre-Stabilized Asset or an asset that requires redevelopment or repositioning.

"Pricing Grid": the table set forth below.

Total Leverage Ratio	Applicable Margin for Revolving Loans which are Eurodollar Loans	Applicable Margin for Revolving Loans which are ABR Loans
<40%	1.50%	0.50%
³40% and <50%	1.75%	0.75%
³50% and <55%	2.00%	1.00%
³55%	2.25%	1.25%

For the purposes of the Pricing Grid, changes in the Applicable Margin resulting from changes in the Total Leverage Ratio shall become effective on the date (the "Adjustment Date") that is three Business Days after the date on which financial statements are delivered to the Lenders pursuant to Section 6.1 and shall remain in effect until the next change to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified in Section 6.1, then, until the date that is three Business Days after the date on which such financial statements are delivered, the highest rate set forth in each column of the Pricing Grid shall apply. In addition, at all times while an Event of Default shall have occurred and be continuing, the highest rate set forth in each column of the Pricing Grid shall apply. Each determination of the Total Leverage Ratio pursuant to the Pricing Grid shall be made in a manner consistent with the determination thereof pursuant to Section 7.1.

"Projections": as defined in Section 6.2(b).

"Properties": as defined in Section 4.17(a).

"Real Property": any real property owned or ground-leased by a Group Member.

"Recourse Mortgage Secured Indebtedness": Mortgage Secured Indebtedness which is recourse to the obligor thereunder.

"Recovery Event": any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any Borrowing Base Property or any Mortgage Note included in the computation of Borrowing Base Value.

"Refunded Swingline Loans": as defined in Section 2.7.

"Register": as defined in Section 10.6(b).

"Regulation U": Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

"Reinvestment Deferred Amount": with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by any Group Member in connection therewith that are not applied to prepay the Term Loans or Revolving Loans pursuant to Section 2.11(b) as a result of the delivery of a Reinvestment Notice.

"Reinvestment Event": any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

"Reinvestment Notice": a written notice executed by a Responsible Officer stating that no Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary) intends and expects to use (a) all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to acquire new Borrowing Base Properties or Mortgage Notes to be included in the computation of Borrowing Base Value or (b) all or a specified portion of the Net Cash Proceeds of a Recovery Event to repair or replace assets damaged by such Recovery Event.

"Reinvestment Prepayment Amount": with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire new Borrowing Base Properties or Mortgage Notes to be included in the computation of Borrowing Base Value or to repair or replace assets damaged by a Recovery Event, as applicable.

"Reinvestment Prepayment Date": with respect to any Reinvestment Event, the earlier of (a) the date occurring 120 days after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, acquire new Borrowing Base Properties or Mortgage Notes to be included in the computation of Borrowing Base Value or repair or replace assets damaged by a Recovery Event, as applicable, in each case with all or any portion of the relevant Reinvestment Deferred Amount.

"REIT": a domestic trust or corporation that qualifies as a real estate investment trust under the provisions of §856, et. seq. of the Code or any successor provisions.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, ..29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"Required Lenders": at any time, the holders of more than 66-2/3% of (a) until the Funding Date, the Commitments then in effect and (b) thereafter, the sum of (i) the aggregate unpaid principal amount of the Term Loans then outstanding and (ii) the Total Revolving Commitments then in effect or, if the Revolving Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer, president or chief financial officer of the Borrower, but in any event, with respect to financial matters, the chief financial officer of the Borrower.

"Restricted Payments": as defined in Section 7.6.

"Revolving Commitment": as to any Lender, the obligation of such Lender, if any, to make Revolving Loans and participate in Swingline Loans and Letters of Credit in an aggregate principal and/or face amount not to exceed the amount set forth under the heading "Revolving Commitment" opposite such Lender's name on Schedule 1.1A or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof, including Section 2.23. The original amount of the Total Revolving Commitments is $154,000,000.

"Revolving Commitment Period": the period from and including the Closing Date to the Revolving Termination Date.

"Revolving Extensions of Credit": as to any Revolving Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans held by such Lender then outstanding, (b) such Lender's Revolving Percentage of the L/C Obligations then outstanding and (c) such Lender's Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding.

"Revolving Lender": each Lender that has a Revolving Commitment or that holds Revolving Loans.

"Revolving Loans": as defined in Section 2.4(a).

"Revolving Percentage": as to any Revolving Lender at any time, the percentage which such Lender's Revolving Commitment then constitutes of the Total Revolving Commitments or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Revolving Loans then outstanding constitutes of the aggregate principal amount of the Revolving Loans then outstanding, provided, that, in the event that the Revolving Loans are paid in full prior to the reduction to zero of the Total Revolving Extensions of Credit, the Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding Revolving Extensions of Credit shall be held by the Revolving Lenders on a comparable basis.

"Revolving Termination Date": November 8, 2010; provided that the Borrower may, by written notice to the Administrative Agent (which shall promptly notify each of the Lenders) given at least sixty (60) days prior to the Revolving Termination Date, extend the Revolving Termination Date for one (1) year so long as (A) no Default or Event of Default shall have occurred and be continuing on the date of such written notice and on the effective date of such extension, (B) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct on and as of the date of such written notice and on and as of the effective date of such extension as if made on and as of such dates, and (C) the Borrower pays an aggregate extension fee equal to 0.25% of the then existing Revolving Commitments (to the Administrative Agent for the ratable benefit of the Revolving Lenders).

"S&P": as defined in the definition of Cash Equivalents.

"SEC": the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

"Senior Exchangeable Note Indenture": the Indenture dated as of November 6, 2006 entered into by the Borrower and Holdings in connection with the issuance of the Senior Exchangeable Notes, together with all instruments and other agreements entered into by the Borrower or Holdings in connection therewith.

"Senior Exchangeable Notes": the senior exchangeable notes of the Borrower issued pursuant to the Senior Exchangeable Note Indenture.

"Senior Note Indenture": the Indenture dated as of July 14, 2006 entered into by the Borrower and Holdings in connection with the issuance of the Senior Notes, together with all instruments and other agreements entered into by the Borrower or Holdings in connection therewith.

"Senior Notes": the senior notes of the Borrower issued pursuant to the Senior Note Indenture.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

"Solvent": when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Specified Change of Control": a "Change of Control" or "Designated Event" (or any other defined term having a similar purpose) as defined in the Senior Note Indenture or the Senior Exchangeable Note Indenture.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor": each Subsidiary of the Borrower other than any Excluded Foreign Subsidiary and any Excluded Subsidiary.

"Swap Agreement": any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or any of its Subsidiaries shall be a "Swap Agreement".

"Swingline Commitment": the obligation of the Swingline Lender to make Swingline Loans pursuant to Section 2.6 in an aggregate principal amount at any one time outstanding not to exceed $25,000,000.

"Swingline Lender": JPMorgan Chase Bank, N.A., in its capacity as the lender of Swingline Loans.

"Swingline Loans": as defined in Section 2.6.

"Swingline Participation Amount": as defined in Section 2.7.

"Syndication Agent": as defined in the preamble hereto.

"Term Commitment": as to any Lender, the obligation of such Lender, if any, to make a Term Loan to the Borrower in a principal amount not to exceed the amount set forth under the heading "Term Commitment" opposite such Lender's name on Schedule 1.1A. The original aggregate amount of the Term Commitments is $66,000,000.

"Term Lender": each Lender that has a Term Commitment or that holds a Term Loan.

"Term Loan": as defined in Section 2.1, and including any incremental Term Loans made pursuant to Section 2.23.

"Term Loan Maturity Date": November 8, 2011.

"Term Percentage": as to any Term Lender at any time, the percentage which such Lender's Term Commitment then constitutes of the aggregate Term Commitments (or, at any time after the Funding Date, the percentage which the aggregate principal amount of such Lender's Term Loans then outstanding constitutes of the aggregate principal amount of the Term Loans then outstanding).

"Total Asset Value": an amount equal to the sum, without duplication, of (i) the lower of the undepreciated cost or market value of all Real Properties that are 100% fee owned or ground-leased by the Group Members, plus (ii) the pro-rata share of the lower of the undepreciated cost or market value of all Real Properties that are less than 100% fee owned or ground-leased by the Group Members, plus (iii) unrestricted cash and Cash Equivalents of the Group Members in excess of $10,000,000, plus (iv) the book value of (A) notes receivable of the Group Members which are secured by mortgage Liens on real estate and which are not more than 60 days past due or otherwise in default after giving effect to applicable cure periods ("Mortgage Notes") and (B) notes receivable of Group Members (1) under which the obligor (or the guarantor thereof) is the operator of a medical property for which a Group Member is the lessor or mortgagee, (2) which are cross-defaulted to the lease or Mortgage Note held by such Group Member, (3) which are not more than 60 days past due or otherwise in default after giving effect to applicable cure periods, and (4) which are set forth in a schedule provided to the Administrative Agent and have been approved by the Required Lenders (provided that not more than $50,000,000 of Total Asset Value may be attributable to notes receivable described in this clause (B)), all as determined on a consolidated basis in accordance with GAAP.

“Total EBITDA”: for any fiscal period, total EBITDA of the Group Members and the Borrower’s prorata share of EBITDA of unconsolidated Subsidiaries and joint ventures of the Borrower.

“Total Fixed Charges”: for any fiscal period, an amount equal to the sum of (i) Interest Expense, (ii) regularly scheduled installments of principal payable with respect to all Total Indebtedness (but excluding any balloon payments due at maturity), plus (iii) all dividend payments due to the holders of any preferred shares of beneficial interest of Holdings and all distributions due to the holders of any limited partnership interests in the Borrower other than limited partner distributions based on the per share dividend paid on the common shares of beneficial interest of the Company (including the Borrower’s prorata share thereof for unconsolidated Subsidiaries and joint ventures).

“Total Indebtedness”: all Indebtedness of the Group Members and the Borrower’s prorata share of all Indebtedness of unconsolidated Subsidiaries and joint ventures of the Borrower.

“Total Leverage Ratio”: as defined in Section 7.1(a).

“Total Revolving Commitments”: at any time, the aggregate amount of the Revolving Commitments then in effect.

“Total Revolving Extensions of Credit”: at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Lenders outstanding at such time.

“Transferee”: any Assignee or Participant.

“Type”: as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

“United States”: the United States of America.

“Wholly Owned Subsidiary”: as to any Person, any other Person all of the Capital Stock of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

“Wholly Owned Subsidiary Guarantor”: any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to any Group Member not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, (iii) the word “incur” shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words "incurred" and "incurrence" shall have correlative meanings), (iv) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, and (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time.

(b) The words "hereof", "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Term Commitments. Subject to the terms and conditions hereof, each Term Lender severally agrees to make a term loan (a "Term Loan") to the Borrower on the Funding Date in an amount not to exceed the amount of the Term Commitment of such Lender. The Term Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.12. The Lenders' commitments to make the Term Loan shall expire on November 30, 2007 if the Funding Date has not occurred by such date.

2.2 Procedure for Term Loan Borrowing. The Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 1:00 P.M., New York City time, on the anticipated Funding Date) requesting that the Term Lenders make the Term Loans on the Funding Date and specifying the amount to be borrowed. Upon receipt of such notice the Administrative Agent shall promptly notify each Term Lender thereof. Not later than 4:00 P.M., New York City time, on the Funding Date each Term Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Term Loan to be made by such Lender. The Administrative Agent shall credit the account of the Borrower on the books of such office of the Administrative Agent with the aggregate of the amounts made available to the Administrative Agent by the Term Lenders in immediately available funds.

2.3 Repayment of Term Loans.

(a) The Term Loan of each Lender shall mature in 16 consecutive quarterly installments, each of which shall be in an amount equal to such Lender's Term Percentage multiplied by the amount set forth below opposite such installment:

Installment	Principal Amount
December 31, 2007	$165,000

Installment	Principal Amount
March 31, 2008	$165,000
June 30, 2008	$165,000
September 30, 2008	$165,000
December 31, 2008	$165,000
March 31, 2009	$165,000
June 30, 2009	$165,000
September 30, 2009	$165,000
December 31, 2009	$165,000
March 31, 2010	$165,000
June 30, 2010	$165,000
September 30, 2010	$165,000
December 31, 2010	$165,000
March 31, 2011	$165,000
June 30, 2011	$165,000
September 30, 2011	$165,000
Term Loan Maturity Date	$63,360,000 or remaining principal amount of Term Loans

2.4 Revolving Commitments.

(a) Subject to the terms and conditions hereof, each Revolving Lender severally agrees to make revolving credit loans ("Revolving Loans") to the Borrower from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's Revolving Percentage of the sum of (i) the L/C Obligations then outstanding and (ii) the aggregate principal amount of the Swingline Loans then outstanding, does not exceed the amount of such Lender's Revolving Commitment. During the Revolving Commitment Period the Borrower may use the Revolving Commitments by borrowing, prepaying the Revolving Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.5 and 2.12.

(b) The Borrower shall repay all outstanding Revolving Loans on the Revolving Termination Date.

2.5 Procedure for Revolving Loan Borrowing. The Borrower may borrow under the Revolving Commitments during the Revolving Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice in the form of Exhibit E (which notice must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of ABR Loans) (provided that any such notice of a borrowing of ABR Loans under the Revolving Facility to finance payments required by Section 3.5 may be given not later than 10:00 A.M., New York City time, on the date of the proposed borrowing), specifying (i) the amount and Type of Revolving Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor, and certifying that the conditions set forth in Section 5.2 are satisfied. Each borrowing under the Revolving Commitments shall be in an amount equal to (x) in the case of ABR Loans, $1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Commitments are less than $1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000 or a whole multiple of $1,000,000 in excess thereof; provided, that the Swingline Lender may request, on behalf of the Borrower, borrowings under the Revolving Commitments that are ABR Loans in other amounts pursuant to Section 2.7. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Revolving Lender thereof. Each Revolving Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Revolving Lenders and in like funds as received by the Administrative Agent.

2.6 Swingline Commitment.

(a) Subject to the terms and conditions hereof, the Swingline Lender agrees to make a portion of the credit otherwise available to the Borrower under the Revolving Commitments from time to time during the Revolving Commitment Period by making swing line loans ("Swingline Loans") to the Borrower; provided that (i) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed the Swingline Commitment then in effect (notwithstanding that the Swingline Loans outstanding at any time, when aggregated with the Swingline Lender's other outstanding Revolving Loans, may exceed the Swingline Commitment then in effect) and (ii) the Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan if, after giving effect to the making of such Swingline Loan, the aggregate amount of the Available Revolving Commitments would be less than zero. During the Revolving Commitment Period, the Borrower may use the Swingline Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swingline Loans shall be ABR Loans only.

(b) The Borrower shall repay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Termination Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Loan is borrowed, the Borrower shall repay all Swingline Loans then outstanding.

2.7 Procedure for Swingline Borrowing; Refunding of Swingline Loans.

(a) Whenever the Borrower desires that the Swingline Lender make Swingline Loans it shall give the Swingline Lender irrevocable telephonic notice confirmed promptly in writing in the form of Exhibit E (which telephonic notice must be received by the Swingline Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date (which shall be a Business Day during the Revolving Commitment Period), and certifying that the conditions set forth in Section 5.2 are satisfied. Each borrowing under the Swingline Commitment shall be in an amount equal to $500,000 or a whole multiple of $100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in a notice in respect of Swingline Loans, the Swingline Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the amount of the Swingline Loan to be made by the Swingline Lender. The Administrative Agent shall make the proceeds of such Swingline Loan available to the Borrower on such Borrowing Date by depositing such proceeds in the account of the Borrower with the Administrative Agent on such Borrowing Date in immediately available funds.

(b) The Swingline Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf), on one Business Day's notice given by the Swingline Lender no later than 12:00 Noon, New York City time, request each Revolving Lender to make, and each Revolving Lender hereby agrees to make, a Revolving Loan, in an amount equal to such Revolving Lender's Revolving Percentage of the aggregate amount of the Swingline Loans (the "Refunded Swingline Loans") outstanding on the date of such notice, to repay the Swingline Lender. Each Revolving Lender shall make the amount of such Revolving Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Revolving Loans shall be immediately made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Refunded Swingline Loans. The Borrower irrevocably authorizes the Swingline Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swingline Loans to the extent amounts received from the Revolving Lenders are not sufficient to repay in full such Refunded Swingline Loans.

(c) If prior to the time a Revolving Loan would have otherwise been made pursuant to Section 2.7(b), one of the events described in Section 8(f) shall have occurred and be continuing with respect to the Borrower or if for any other reason, as determined by the Swingline Lender in its sole discretion, Revolving Loans may not be made as contemplated by Section 2.7(b), each Revolving Lender shall, on the date such Revolving Loan was to have been made pursuant to the notice referred to in Section 2.7(b), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "Swingline Participation Amount") equal to (i) such Revolving Lender's Revolving Percentage times (ii) the sum of the aggregate principal amount of Swingline Loans then outstanding that were to have been repaid with such Revolving Loans.

(d) Whenever, at any time after the Swingline Lender has received from any Revolving Lender such Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided, however, that in the event that such payment received by the Swingline Lender is required to be returned, such Revolving Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

(e) Each Revolving Lender's obligation to make the Loans referred to in Section 2.7(b) and to purchase participating interests pursuant to Section 2.7(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender or the Borrower may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.8 Commitment Fees, etc.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee for the period from and including the date hereof to the last day of the Revolving Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on each Fee Payment Date, commencing on the first such date to occur after the date hereof.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates as set forth in any fee agreements with the Administrative Agent and to perform any other obligations contained therein.

2.9 Termination or Reduction of Revolving Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Commitments or, from time to time, to reduce the amount of the Revolving Commitments; provided that no such termination or reduction of Revolving Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Loans and Swingline Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Commitments. Any such reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Commitments then in effect.

2.10 Optional Prepayments. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent no later than 11:00 A.M., New York City time, three Business Days prior thereto, in the case of Eurodollar Loans, no later than 11:00 A.M., New York City time, one Business Day prior thereto, in the case of Term Loans and Revolving Loans which are ABR Loans, and no later than 11:00 A.M. New York City time on the date of prepayment, in the case of Swingline Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or ABR Loans; provided, that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.20. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Loans that are ABR Loans and Swingline Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Term Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof. Partial prepayments of Swingline Loans shall be in an aggregate principal amount of $100,000 or a whole multiple thereof.

2.11 Mandatory Prepayments and Commitment Reductions.

(a) If any Indebtedness shall be incurred by any Group Member (excluding any Indebtedness incurred in accordance with Section 7.2, other than Indebtedness incurred in accordance with paragraph (f) thereof but excluding any purchase money Indebtedness incurred in connection with an acquisition permitted by Section 7.8(g)), an amount equal to 50% of the Net Cash Proceeds thereof shall be applied on the date of such incurrence toward the prepayment of the Term Loans and Revolving Loans as set forth in Section 2.11(d).

(b) If on any date any Group Member shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall have been delivered in respect thereof, 50% of such Net Cash Proceeds shall be applied within five (5) Business Days of such date toward the prepayment of the Term Loans and Revolving Loans as set forth in Section 2.11(d); provided, that, notwithstanding the foregoing, (i) the aggregate Net Cash Proceeds of Asset Sales that may be excluded from the foregoing requirement pursuant to a Reinvestment Notice shall not exceed $25,000,000 in any fiscal year of the Borrower, (ii) if such Net Cash Proceeds are not reinvested within five (5) Business Days of the date such Net Cash Proceeds are received, the Borrower shall apply such Net Cash Proceeds within five (5) Business Days of the date of receipt to the repayment of the Revolving Credit Loans (without any corresponding reduction of the Revolving Commitments), (iii) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be applied toward the prepayment of the Term Loans and the Revolving Loans as set forth in Section 2.11(d), and to the extent that the Borrower has applied Net Cash Proceeds to the repayment of Revolving Loans pursuant to clause (ii) above, the Borrower shall reborrow Revolving Loans in the amount of the Reinvestment Prepayment Amount and apply such proceeds to the prepayment of Term Loans and Revolving Loans as set forth in Section 2.11(d).

(c) The Borrower shall repay all outstanding Term Loans on the Term Loan Maturity Date. The Borrower shall repay all outstanding Revolving Loans on the Revolving Termination Date.

(d) Amounts to be applied in connection with prepayments made pursuant to Section 2.11 (other than the Net Cash Proceeds from the incurrence of Indebtedness secured by a Lien on a Borrowing Base Property) shall be applied, first, to the prepayment of the Term Loans in accordance with Section 2.17(b), second, to the prepayment of Swingline Loans (without any corresponding reduction of the Revolving Commitments), third, to the prepayment of Revolving Loans (without any corresponding reduction of the Revolving Commitments), and fourth, to cash collateralize Letters of Credit by depositing an amount in cash in a cash collateral account established with the Administrative Agent for the benefit of the Revolving Lenders on terms and conditions satisfactory to the Administrative Agent. Amounts to be applied in connection with prepayments made pursuant to Section 2.11(a) from the Net Cash Proceeds from the incurrence of Indebtedness secured by a Lien on a Borrowing Base Property shall be applied, first, to the prepayment of Swingline Loans (without any corresponding reduction of the Revolving Commitments), second, to the prepayment of Revolving Loans (without any corresponding reduction of the Revolving Commitments), third to the prepayment of the Term Loans in accordance with Section 2.17(b), , and fourth, to cash collateralize Letters of Credit by depositing an amount in cash in a cash collateral account established with the Administrative Agent for the benefit of the Revolving Lenders on terms and conditions satisfactory to the Administrative Agent. The application of any prepayment pursuant to Section 2.11 shall be made, first, to ABR Loans and, second, to Eurodollar Loans. Each prepayment of the Loans under Section 2.11 (except in the case of Revolving Loans that are ABR Loans and Swingline Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

2.12 Conversion and Continuation Options.

(a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., New York City time, on the Business Day preceding the proposed conversion date, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., New York City time, on the third Business Day preceding the proposed conversion date (which notice shall specify the length of the initial Interest Period therefor), provided that no ABR Loan under a particular Facility may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan under a particular Facility may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such continuations, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.13 Limitations on Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (b) no more than five (5) Eurodollar Tranches shall be outstanding at any one time.

2.14 Interest Rates and Payment Dates.

(a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans and Reimbursement Obligations (whether or not overdue) shall bear interest at a rate per annum equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to ABR Loans under the Revolving Facility plus 2%, and (ii) if all or a portion of any interest payable on any Loan or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to ABR Loans under the relevant Facility plus 2% (or, in the case of any such other amounts that do not relate to a particular Facility, the rate then applicable to ABR Loans under the Revolving Facility plus 2%), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand of the Administrative Agent.

2.15 Computation of Interest and Fees.

(a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.14(a).

2.16 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Facility Lenders in respect of the relevant Facility that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then-current Interest Period, to ABR Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

2.17 Pro Rata Treatment and Payments.

(a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee and any reduction of the Commitments of the Lenders shall be made pro rata according to the respective Term Percentages or Revolving Percentages, as the case may be, of the relevant Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Term Loans shall be made pro rata according to the respective outstanding principal amounts of the Term Loans then held by the Term Lenders. The amount of each principal prepayment of the Term Loans shall be applied to reduce the then remaining installments of the Term Loans pro rata based upon the respective then remaining principal amounts thereof. Amounts repaid or prepaid on account of the Term Loans may not be reborrowed.

(c) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Loans then held by the Revolving Lenders.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon, at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such

Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans, on demand, from the Borrower.

(f) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

2.18 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.19 and changes in the rate of tax on or measured by the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letters of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. Notwithstanding anything to the contrary in this Section, the Borrower shall not be required to compensate a Lender pursuant to this Section for any amounts incurred more than nine months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; provided that, if the circumstances giving rise to such claim have a retroactive effect, then such nine-month period shall be extended to include the period of such retroactive effect. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.19 Taxes.

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit H and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.19, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.19 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.20 Indemnity. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification shall be the amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, at the Eurodollar Rate that would have been applicable for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.21 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.18 or 2.19(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 2.18 or 2.19(a).

2.22 Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.18 or 2.19(a) or (b) defaults in its obligation to make Loans hereunder, with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have taken no action under Section 2.21 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.18 or 2.19(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 2.20 if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.18 or 2.19(a), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.23 Incremental Commitments. (a) The Borrower may, by written notice to the Administrative Agent on up to two (2) occasions during the period from the Closing Date to the eighteen (18) month anniversary of the Closing Date, request incremental Term Commitments and/or incremental Revolving Commitments, as applicable, in an amount not to exceed the aggregate amount of $130,000,000 from one or more additional Term Lenders and/or additional Revolving Lenders (which may include any existing Lender) willing to provide such incremental Term Loans and/or incremental Revolving Commitments, as the case may be, in their own discretion; provided, that each incremental Revolving Lender and incremental Term Lender shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) unless, in the case of any incremental Lender, such incremental Lender is a Lender, an Affiliate of a Lender or an Approved Fund. Such notice shall set forth (i) the amount of the incremental Term Commitments and/or incremental Revolving Commitments being requested, (ii) the aggregate amount of all incremental Term Commitments and incremental Revolving Commitments, when taken together with all other incremental Commitments, shall not exceed $130,000,000 in the aggregate (the "Incremental Limit"), and (iii) the date on which such incremental Term Commitments and/or incremental Revolving Commitments are requested to become effective (the "Increased Amount Date"). The Administrative Agent and/or its Affiliates shall use commercially reasonable efforts, with the assistance of the Borrower, to arrange a syndicate of Lenders willing to hold the requested incremental Term Commitments and/or incremental Revolving Commitments.

(b) The Borrower and each incremental Term Lender and/or incremental Revolving Lender shall execute and deliver to the Administrative Agent such documentation as the Administrative Agent shall reasonably specify to evidence the incremental Term Commitment of such incremental Term Lender and/or incremental Revolving Commitment of such incremental Revolving Lender. Each such documentation shall specify the terms of the applicable incremental Term Loans and/or incremental Revolving Commitments; provided, that (i) the incremental Term Loans shall rank pari passu in right of payment and of security with the Term Loans and shall have the same terms as the Term Loans (including as to pricing, maturity and amortization) and (ii) from and after the effectiveness of each amendment or other documentation, the associated incremental Revolving Commitments shall thereafter be Revolving Commitments with the same terms as the Revolving Commitments (including as to pricing and maturity). Each of the parties hereto hereby agrees that, upon the effectiveness of any such documentation, this Agreement shall be amended to the extent (but only to the extent) necessary to reflect the existence and terms of the incremental Term Commitments and/or incremental Revolving Commitments evidenced thereby (including adjusting the Revolving Percentages and/or the Term Percentages), and new Notes shall be issued and the Borrower shall make such borrowings and repayments as shall be necessary to effect the reallocation of the Commitments, in each case without the consent of the Lenders other than those Lenders with incremental Revolving Commitments and/or Term Commitments. The fees payable by the Borrower upon any such incremental Revolving Commitments and/or Term Commitments shall be agreed upon by the Administrative Agent, the Lenders with incremental Revolving Commitments and/or Term Commitments and the Borrower at the time of such increase.

Notwithstanding the forgoing, nothing in this Section 2.23 shall constitute or be deemed to constitute an agreement by any Lender to increase its Commitments hereunder.

(c) Notwithstanding the foregoing, no incremental Term Commitment or incremental Revolving Commitment shall become effective under this Section 2.23 unless (i) on the date of such effectiveness, the conditions set forth in Section 5.2 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Responsible Officer of the Borrower, (ii) the Administrative Agent shall have received customary legal opinions, board resolutions and other customary closing certificates and documentation as required by the relevant amendment or other documentation and, to the extent required by the Administrative Agent, consistent with those delivered on the Closing Date under Section 5.1 and such additional customary documents and filings as the Administrative Agent may reasonably require, and (iii) the Borrower shall be in pro forma compliance with the covenants set forth in Section 7.1 after giving effect to such incremental Term Commitment and/or incremental Revolving Commitments, the Loans to be made thereunder and the application of the proceeds therefrom as if made and applied on such date.

(d) Each of the parties hereto hereby agrees that the Administrative Agent may take any and all action as may be reasonably necessary to ensure that (i) all incremental Term Loans (other than Term Loans) in the form of additional Term Loans, when originally made, are included in each Borrowing of outstanding Term Loans on a pro rata basis, and (ii) all Revolving Loans in respect of incremental Revolving Commitments, when originally made, are included in each Borrowing of outstanding Revolving Loans on a pro rata basis. The Borrower agrees that Section 2.20 shall apply to any conversion of Eurodollar Loans to ABR Loans reasonably required by the Lenders to effect the foregoing.

SECTION 3. LETTERS OF CREDIT

3.1 L/C Commitment.

(a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Revolving Lenders set forth in Section 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day during the Revolving Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date that is five Business Days prior to the Revolving Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

3.2 Procedure for Issuance of Letter of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of the

Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance thereof. The Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof).

3.3 Fees and Other Charges.

(a) The Borrower will pay a fee on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the Revolving Facility on the average daily amount of the L/C Obligations (excluding any portion thereof attributable to unreimbursed drawings), shared ratably among the Revolving Lenders and payable quarterly in arrears on each Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the Issuing Lender for its own account a fronting fee of 0.125% per annum on the average daily amount of the L/C Obligations (excluding any portion thereof attributable to unreimbursed drawings), payable quarterly in arrears on each Fee Payment Date after the issuance date.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 L/C Participations.

(a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. Each L/C Participant's obligation to pay such amount shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such L/C Participant may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other L/C Participant or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing

(b) If any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans under the Revolving Facility. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 3.4(a), the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

3.5 Reimbursement Obligation of the Borrower. If any draft is paid under any Letter of Credit, the Borrower shall reimburse the Issuing Lender for the amount of (a) the draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment, not later than 12:00 Noon, New York City time, on (i) the Business Day that the Borrower receives notice of such draft, if such notice is received on such day prior to 10:00 A.M., New York City time, or (ii) if clause (i) above does not apply, the Business Day immediately following the day that the Borrower receives such notice; provided that the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.5 or Section 2.6 that such payment be financed with an ABR Revolving Loan or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Loan or Swingline Loan. Each such payment shall be made to the Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds.

Interest shall be payable on any such amounts from the date on which the relevant draft is paid until payment in full at the rate set forth in (x) until the Business Day next succeeding the date of the relevant notice, Section 2.14(b) and (y) thereafter, Section 2.14(c).

3.6 Obligations Absolute. The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against the Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Lender. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower of the date and amount thereof. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are substantially in conformity with such Letter of Credit.

3.8 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans or to issue or participate in the Letters of Credit, Holdings and the Borrower hereby jointly and severally represent and warrant to the Administrative Agent and each Lender that:

4.1 Financial Condition.

(a) The pro forma covenant compliance certificate described in Section 5.1(l), copies of which have heretofore been furnished to each Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the Loans to be made on the Funding Date and the use of proceeds thereof, (ii) the repayment of Indebtedness under the Existing Credit Agreement and the Existing Term Loan Agreement and (iii) the payment of fees and expenses in connection with the foregoing. Such certificate has been prepared based on the best information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial covenant compliance of Borrower and its consolidated Subsidiaries as at the Funding Date, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The audited consolidated balance sheets of Holdings and its Subsidiaries as at December 31, 2006, and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by and accompanied by an unqualified report from KPMG, present fairly the consolidated financial condition of Holdings and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the fiscal year then ended. The unaudited consolidated balance sheet of Holdings and its Subsidiaries as at September 30, 2007, and the related unaudited consolidated statements of income and cash flows for the three-month period ended on such date, present fairly the consolidated financial condition of Holdings and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the three-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein and except for the lack of footnotes with interim statements). No Group Member has any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph. During the period from December 31, 2006 to and including the date hereof there has been no Disposition by any Group Member of any material part of its business or property other than the prepayment of the mortgage note of Alliance Hospital and Centinela Hospital Medical Center.

4.2 No Change. Since June 30, 2007, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

4.3 Existence; Compliance with Law. Each Group Member (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that its failure to be so qualified could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4 Power; Authorization; Enforceable Obligations. Each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder. Each Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the extensions of credit on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 4.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder, the issuance of the Letters of Credit and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of any Group Member, except for any such violation which could not reasonably be expected to have a Material Adverse Effect, and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

4.6 Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Holdings or the Borrower, threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7 No Default. No Group Member is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. Each Group Member has title in fee simple to, or a valid leasehold interest in, all its Real Property, and good title to, or a valid leasehold interest in, all its other property (including Mortgage Notes), and none of such property is subject to any Lien except as permitted by Section 7.3. Each Group Member has obtained customary title insurance on its Real Property.

4.9 Intellectual Property. Each Group Member owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does Holdings or the Borrower know of any valid basis for any such claim. The use of Intellectual Property by each Group Member does not infringe on the rights of any Person in any material respect.

4.10 Taxes. Each Group Member has filed or caused to be filed all material Federal, state and other tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the relevant Group Member); no tax Lien has been filed, and, to the knowledge of Holdings and the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

4.11 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used (a) for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect for any purpose that violates the provisions of the Regulations of the Board or (b) for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

4.12 Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against any Group Member pending or, to the knowledge of Holdings or the Borrower, threatened; (b) hours worked by and payment made to employees of each Group Member have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from any Group Member on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Group Member.

4.13 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

4.14 Investment Company Act; Other Regulations. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

4.15 Subsidiaries. Except as disclosed to the Administrative Agent by the Borrower in writing from time to time after the Closing Date, (a) Schedule 4.15 sets forth the name and jurisdiction of incorporation of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of the Borrower or any Subsidiary, except as created by the Loan Documents.

4.16 Use of Proceeds. The proceeds of the Term Loans shall be used to repay existing Indebtedness of the Borrower under the Existing Term Loan Agreement and the Existing Credit Agreement. The proceeds of the Revolving Loans and the Swingline Loans, and the Letters of Credit, shall be used for general corporate purposes of the Borrower and its Subsidiaries, including the financing of working capital needs, the repayment of Indebtedness of the Borrower and its Subsidiaries and acquisitions permitted by this Agreement.

4.17 Environmental Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, to the best knowledge of Holdings and the Borrower after due inquiry:

(a) the facilities and properties owned, leased or operated by any Group Member (the "Properties") do not contain, and have not previously contained during the ownership or lease of, or operation by, such Group Member, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) no Group Member has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by any Group Member (the "Business"), nor does Holdings or the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) During the ownership or lease of, or operation by, any Group Member, Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of Holdings and the Borrower, threatened, under any Environmental Law to which any Group Member is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) During the ownership or lease of, or operation by, any Group Member, there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of any Group Member in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have during the ownership or lease of, or operation by, any Group Member been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) no Group Member has assumed any liability of any other Person under Environmental Laws.

4.18 Accuracy of Information, etc. The statements and information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum, or any other document, certificate or statement furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, taken as a whole, do not contain as of the date such statement, information, document or certificate was so furnished and as updated from time to time, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, the Confidential Information Memorandum, or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

4.19 Security Documents. The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock which are represented by certificates delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements and other filings specified on Schedule 4.19(a) in appropriate form are filed in the offices specified on Schedule 4.19(a), the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock, Liens permitted by Section 7.3 which by operation of law would have priority over the Liens on such Collateral).

4.20 Solvency. Each Loan Party is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be and will continue to be, Solvent.

4.21 Certain Documents. The Borrower has delivered to the Administrative Agent a complete and correct copy of the Senior Note Indenture, and the Senior Exchangeable Note Indenture including any amendments, supplements or modifications with respect to any of the foregoing.

4.22 Status of Holdings. Holdings (i) is a REIT, (ii) has not revoked its election to be a REIT, (iii) has not engaged in any “prohibited transactions” as defined in Section 856(b)(6)(iii) of the Code (or any successor provision thereto), and (iv) for its current “tax year” (as defined in the Code) is, and for all prior tax years subsequent to its election to be a real estate investment trust has been, entitled to a dividends paid deduction which meets the requirements of Section 857 of the Code. The common stock of Holdings is listed for trading on the New York Stock Exchange.

4.23 Properties. Schedule 4.23(a) sets forth a list of all Real Property of the Group Members and the owner (or ground-lessor) of such Real Property, and Schedule 4.23(b) sets forth a list of all Borrowing Base Properties and the owner (or ground-lessor) of such Borrowing Base Property. All such Borrowing Base Properties satisfy the requirements for a Borrowing Base Property set forth in the definition thereof.

SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make the initial extension of credit requested to be made by it is subject to the satisfaction, prior to or concurrently with the making of such extension of credit on the Funding Date, of the following conditions precedent:

(a) Credit Agreement; Guarantee and Collateral Agreement. The Administrative Agent shall have received (i) this Agreement, executed and delivered by the Administrative

Agent, Holdings, the Borrower and each Person listed on Schedule 1.1A, (ii) the Guarantee and Collateral Agreement, executed and delivered by Holdings, the Borrower and each Subsidiary Guarantor and (iii) an Acknowledgement and Consent in the form attached to the Guarantee and Collateral Agreement, executed and delivered by each Issuer (as defined therein), if any, that is not a Loan Party.

(b) Rating. The Borrower shall have obtained a rating (which rating may be a private letter rating) for the Facilities of BB- or higher from S&P and Ba3 or higher from Moody's.

(c) Financial Statements. The Lenders shall have received (i) audited consolidated financial statements of Holdings and its Subsidiaries for the 2005 and 2006 fiscal years and (ii) unaudited interim consolidated financial statements of Holdings and its Subsidiaries for each fiscal quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Lenders, reflect any material adverse change in the consolidated financial condition of Holdings and its Subsidiaries, as reflected in the financial statements.

(d) Projections. The Lenders shall have received satisfactory projections through 2008.

(e) Approvals. All governmental and third party approvals necessary in connection with the continuing operations of the Group Members and the transactions contemplated hereby shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby.

(f) Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each of the jurisdictions where assets of the Loan Parties are located, and such search shall reveal no liens on any of the assets of the Loan Parties except for liens permitted by Section 7.3 or discharged or to be discharged on or prior to the Funding Date pursuant to documentation satisfactory to the Administrative Agent.

(g) Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel), on or before the Funding Date. All such amounts will be paid with proceeds of Loans made on the Funding Date and will be reflected in the funding instructions given by the Borrower to the Administrative Agent on or before the Funding Date.

(h) Closing Certificate; Certified Certificate of Incorporation; Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, dated the Funding Date, substantially in the form of Exhibit C, with appropriate insertions and attachments, including the certificate of incorporation of each Loan Party that is a corporation certified by the relevant authority of the jurisdiction of organization of such Loan Party, and

(ii) a long form good standing certificate for each Loan Party from its jurisdiction of organization.

(i) Legal Opinion. The Administrative Agent shall have received the legal opinion of Goodwin Procter LLP, counsel to the Borrower and its Subsidiaries, in form and substance reasonably satisfactory to the Agents.

(j) Pledged Stock; Stock Powers. The Administrative Agent shall have received any certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for any such certificate executed in blank by a duly authorized officer of the pledgor thereof.

(k) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 7.3), shall be in proper form for filing, registration or recordation.

(l) Compliance Certificate. The Lenders shall have received a certificate of a Responsible Officer of the Borrower certifying as to compliance with the financial covenants set forth in Section 7.1 on a pro-forma basis on the Funding Date after giving effect to the incurrence of the Loans, which certificate shall include calculations in reasonable detail demonstrating such compliance, including as to the calculation of Borrowing Base Value.

(m) Solvency Certificate. The Administrative Agent shall have received a solvency certificate from a Responsible Officer of Holdings.

(n) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 6.5.

(o) Pay-off of Existing Facilities. The Administrative Agent shall have received satisfactory evidence that (i) (A) the repayment in full and termination of the Existing Term Loan Agreement and (B) the release of all collateral granted thereunder shall occur immediately upon the funding of the Loans hereunder on the Funding Date and (ii) (A) the repayment in full of the Existing Credit Agreement shall occur immediately upon the funding of the Loans hereunder on the Funding Date and (B) the Borrower has delivered a notice to Merrill Lynch Capital, as administrative agent, terminating the Existing Credit Agreement and requesting the release of all collateral granted thereunder.

5.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any date (including its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct on and as of such date as if made on and as of such date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Borrowing Base Certificate. The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower certifying as to compliance with the financial covenants set forth in Sections 7.1(g) and (h) on a pro-forma basis on the date of such extension of credit after giving effect to such extension of credit, which certificate shall include calculations in reasonable detail demonstrating such compliance, including as to the calculation of Borrowing Base Value.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

SECTION 6. AFFIRMATIVE COVENANTS

Holdings and the Borrower hereby jointly and severally agree that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, each of Holdings and the Borrower shall and shall cause each of its Subsidiaries to:

6.1 Financial Statements. Furnish to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of Holdings, a copy of the audited consolidated balance sheet of Holdings and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by KPMG or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of Holdings, the unaudited consolidated balance sheet of Holdings and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied (except as approved by such accountants or officer, as the case may be, and disclosed in reasonable detail therein and except for the absence of footnotes with the interim statements) consistently throughout the periods reflected therein and with prior periods. Delivery by Holdings to the Administrative Agent and the Lenders of its annual report to the SEC on Form 10-K and its quarterly report to the SEC on Form 10-Q, in each case in accordance with SEC requirement for such reports, shall be deemed to be compliance by Holdings with this Section 6.1(a) and Section 6.1(b), as applicable.

6.2 Certificates; Other Information. Furnish to the Administrative Agent and each Lender (or, in the case of clause (f), to the relevant Lender):

(a) as soon as available, but in any event within 60 days after the end of each of the first three quarterly periods of each fiscal year of Holdings and within 90 days after the end of each fiscal year of Holdings, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information and calculations necessary for determining compliance by each Group Member with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be, and (y) to the extent not previously disclosed to the Administrative Agent, a description of any change in the jurisdiction of organization of any Loan Party since the date of the most recent report delivered pursuant to this clause (y) (or, in the case of the first such report so delivered, since the Closing Date);

(b) as soon as available, and in any event no later than 90 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, the related consolidated statements of projected cash flow, projected changes in financial position and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions;

(c) within 45 days after the end of each fiscal quarter of the Borrower (or 90 days in the case of the fourth quarter), a narrative discussion and analysis of the financial condition and results of operations of the Borrower and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the comparable periods of the previous year; provided that delivery to the Administrative Agent and the Lenders of Holdings' annual report to the SEC on Form 10-K and its quarterly report to the SEC on Form 10-Q containing such narrative discussion and analysis shall be deemed to be compliance with this Section 6.1(c);

(d) no later than 5 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Senior Note Indenture or the Senior Exchangeable Note Indenture;

(e) within five days after the same are sent, copies of all financial statements and reports that Holdings or the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all material financial statements and reports that Holdings or the Borrower may make to, or file with, the SEC; and

(f) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the relevant Group Member and except for any nonpayment of which could not reasonably be expected to have a Material Adverse Effect.

6.4 Maintenance of Existence; Compliance. (a)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, Holdings will do all things necessary to maintain its status as a REIT and will maintain its listing on the New York Stock Exchange.

6.5 Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, all-risks casualty and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

6.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and with their independent certified public accountants.

6.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding that may exist at any time between any Group Member and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting any Group Member (i) in which the amount involved is $1,000,000 or more and not covered by insurance, (ii) in which injunctive or similar relief is sought or (iii) which relates to any Loan Document;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan;

(e) any default by tenant under a lease of Real Property or any default by an obligor under any Mortgage Note held by a Group Member, in each case after giving effect to any applicable cure period and to the extent that such Real Property or Mortgage Note is included in the Borrowing Base Value; and

(f) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Group Member proposes to take with respect thereto.

6.8 Environmental Laws.

(a) Comply with, and take commercially reasonable steps to ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply with and maintain, and take commercially reasonable steps to ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, in each case to the extent the failure to do so could reasonably be expected to have a Material Adverse Effect.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

6.9 Distributions in the Ordinary Course. In the ordinary course of business, the Borrower causes all of its Subsidiaries to make transfers of net cash and cash equivalents upstream to the Borrower, and the Borrower shall continue to follow such ordinary course of business. The Borrower shall not make net transfers of cash and cash equivalents downstream to its Subsidiaries except in the ordinary course of business consistent with past practice.

6.10 Additional Collateral, etc. (a) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary or an Excluded Subsidiary) created or acquired after the Closing Date by any Group Member (which, for the purposes of this paragraph (a), shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary or an Excluded Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by any Group Member, (ii) deliver to the Administrative Agent any certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit C, with appropriate insertions and attachments, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(b) Prior to the addition of any new Real Property as a Borrowing Base Property after the Closing Date, the Borrower shall deliver written notice to the Agents of its request to add such Real Property as a Borrowing Base Property at least ten (10) Business Days prior to the proposed date of such addition together with (a) a certificate of a Responsible Officer certifying that such Real Property satisfies the eligibility criteria set forth in the definition of "Borrowing Base Property", certifying as to compliance with the financial covenants on a pro-forma basis after giving effect to the addition of such Real Property as a Borrowing Base Property, which certificate shall include calculations in reasonable detail demonstrating such compliance, including as to the calculation of Borrowing Base Value, and certifying that the representations and warranties regarding the Collateral set forth in Article 4 remain true and correct after giving effect to the addition of such Borrowing Base Property, and (b) a copy of the lease for such Real Property, a lease abstract for such Real Property, an operating statement for such Real Property, in each case certified by an officer of the Borrower as being true and correct, and such other information regarding such Real Property as the Agents may reasonably request. Promptly (and in any event within ten (10) Business Days) after receipt of all of the foregoing information, the Agents shall review such information and notify the Borrower in writing whether or not they accept the Borrower's determination that such Real Property qualifies as a Borrowing Base Property. From and after the date of such written notification from the Agents, and so long as such Real Property continues to satisfy the eligibility criteria set forth in the definition of "Borrowing Base Property", such Real Property shall be treated as a Borrowing Base Property hereunder.

(c) The Borrower will, and will cause each of its Subsidiaries to, cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to carry out to their satisfaction the transactions contemplated by this Agreement and the other Loan Documents

6.11 Notices of Asset Sales or Dispositions. The Borrower shall deliver to the Administrative Agent and the Lenders written notice not less than five (5) Business Days prior to a sale, encumbrance with a Lien to secure Indebtedness or other Disposition of (i) a Borrowing Base Property or (ii) other assets of the Loan Parties or their Subsidiaries, in a single transaction or series of related transactions, for consideration in excess of $3,000,000, in each case which is permitted pursuant to Section 7.2(f), 7.3(i) or Section 7.5, as applicable. In addition, simultaneously with delivery of any such notice, the Loan Parties shall deliver to the Administrative Agent a certificate of a Responsible Officer certifying that no Default or Event of Default (including any non-compliance with the financial covenants contained herein) has occurred and is continuing or would occur on a pro forma basis after giving effect to the proposed sale, encumbrance or other Disposition, which certificate shall include calculations in reasonable detail demonstrating compliance with the financial covenants on a pro-forma basis, including as to the calculation of Borrowing Base Value.

To the extent such proposed transaction would result in a Default or an Event of Default, the Borrower shall apply the proceeds of such transaction (together with such additional amounts as may be required), to prepay the Obligations in an amount, as determined by the Administrative Agent, equal to that which would be required to reduce the Obligations so that no Default or Event of Default would exist. Otherwise, the Borrower shall apply the proceeds of such transaction in accordance with Section 2.11.

If such proposed transaction is permitted hereunder, the Administrative Agent shall, at the Borrower’s expense, take all such action reasonably requested by the Borrower to release any Lien granted to or held by the Administrative Agent with respect to the Collateral relating to such Real Property or Mortgage Note being sold, encumbered or disposed of, as applicable, under any Security Document, including without limitation release of the pledge of stock of any Subsidiary whose principal asset is such Real Property or Mortgage Note being sold, encumbered or disposed of and to release the guarantee obligations of any such Subsidiary under the Guarantee and Collateral Agreement.

6.12 Maintenance of Ratings. The Borrower shall maintain ratings on the Facilities from each of S&P and Moody’s; provided that if the rating obtained from such rating agency is a private letter rating that is not monitored and automatically updated by such rating agency, then the Borrower shall obtain an annual update of such rating on or before each anniversary of the Closing Date.

SECTION 7. NEGATIVE COVENANTS

Holdings and the Borrower hereby jointly and severally agree that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, each of Holdings and the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Total Leverage Ratio. Permit the ratio of Total Indebtedness to Total Asset Value (the "Total Leverage Ratio") as at the last day of any period of four consecutive fiscal quarters of the Borrower or on the date of any incurrence of Indebtedness by the Borrower or its Subsidiaries to exceed 55%, provided that such ratio may exceed 55% as of the end of up to 2 consecutive fiscal quarters in one fiscal year so long as such ratio does not exceed 60%.

(b) Fixed Charge Coverage Ratio. Permit the ratio of Total EBITDA to Total Fixed Charges for any period of four consecutive fiscal quarters of the Borrower to be less than 1.50 to 1.0.

(c) Mortgage Secured Leverage Ratio. Permit the ratio of Mortgage Secured Indebtedness to Total Asset Value as at the last day of any period of four consecutive fiscal quarters of the Borrower or on the date of any incurrence of Indebtedness by the Borrower or its Subsidiaries to exceed 25%.

(d) Recourse Mortgage Secured Leverage Ratio. Permit the ratio of Recourse Mortgage Secured Indebtedness to Total Asset Value as at the last day of any period of four consecutive fiscal quarters of the Borrower or on the date of any incurrence of Indebtedness by the Borrower or its Subsidiaries to exceed 10%.

(e) Consolidated Adjusted Net Worth. Permit Consolidated Tangible Net Worth to be less than the sum of (i) $403,662,837 plus (ii) 85% of Net Cash Proceeds from issuances of Capital Stock by the Borrower or Holdings after September 30, 2007.

(f) Floating Rate Debt. Permit the ratio of Total Indebtedness that bears interest at a floating rate of interest to Total Asset Value as at the last day of any period of four consecutive fiscal quarters of the Borrower or on the date of any incurrence of Indebtedness by the Borrower or its Subsidiaries to exceed 30%.

(g) Facility Leverage Ratio. Permit the ratio of Facility Indebtedness to Borrowing Base Value as at the last day of any period of four consecutive fiscal quarters of the Borrower or on the date of any incurrence of Indebtedness by the Borrower or its Subsidiaries to exceed 50%.

(h) Borrowing Base Interest Coverage Ratio. Permit the ratio of Borrowing Base NOI for any period of four consecutive fiscal quarters of the Borrower to Facility Interest Expense for such period to be less than 2.0 to 1.0 as at the last day of any period of four consecutive fiscal quarters of the Borrower or on the date of any incurrence of Indebtedness by the Borrower or its subsidiaries.

(i) Covenant Compliance Calculations. The Borrower shall deliver the certificate described in Section 5.2(c) evidencing compliance with the financial ratios set forth in Sections 7.1(g) and (h) as of each Borrowing Date. Such calculations shall be made in accordance with Section 7.1(j).

(j) Pro Forma Calculations.

(i) For purposes of the pro-forma calculations to be made pursuant to Sections 7.1(g) and (i) (and the definitions used therein), such calculations shall be adjusted by (A) excluding from Borrowing Base Value the actual value of any assets sold by the Borrower or any of its Subsidiaries since the last day of the prior fiscal quarter and (B) adding to Borrowing Base Value the actual value of any assets acquired (or to be acquired with any borrowing) by the Borrower or any of its Subsidiaries since the last day of the prior fiscal quarter.

(ii) For purposes of the pro-forma calculations to be made pursuant to Sections 7.1(h) and (i) (and the definitions used therein), such calculations shall be adjusted by (A) excluding from Borrowing Base NOI the actual NOI for the relevant period of any assets sold by the Borrower or any of its Subsidiaries since the last day of the prior fiscal quarter, (B) adding to Borrowing Base NOI the projected NOI for the next four quarters (based on the Borrower's projections made in good faith) for any assets acquired (or to be acquired with any borrowing) by the Borrower or any of its Subsidiaries since the last day of the prior fiscal quarter, (C) excluding from Facility Interest Expense, the Facility Interest Expense for the relevant period for any Facility Indebtedness for which the Borrower or any Subsidiary is no longer obligated in respect of, or as the result of the application of proceeds from, any Borrowing Base Properties sold by the Borrower or any of its Subsidiaries since the last day of the prior fiscal quarter, and (D) adding to Facility Interest Expense, the projected Facility Interest Expense for the next four quarters (based on the Borrower's projections made in good faith) for any Facility Indebtedness assumed or incurred by the Borrower or any of its Subsidiaries since the last day of the prior fiscal quarter.

7.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness of the Borrower to any Subsidiary and of any Wholly Owned Subsidiary Guarantor to the Borrower or any other Subsidiary;

(c) Guarantee Obligations incurred in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of any Wholly Owned Subsidiary Guarantor in an aggregate amount not to exceed $5,000,000 at any one time outstanding;

(d) Indebtedness outstanding on the date hereof and listed on Schedule 7.2(d) and any refinancings, refundings, renewals or extensions thereof (without increasing, or shortening the maturity of, the principal amount thereof);

(e) (i) Indebtedness of the Borrower in respect of the Senior Notes and the Senior Exchangeable Notes and (ii) Guarantee Obligations of Holdings in respect of such Indebtedness; and

(f) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) at any one time outstanding that would not cause a violation of Section 7.1;

; provided that the Borrower shall not permit any Subsidiary Guarantor that is the owner (or ground-lessee) of a Borrowing Base Property or a Mortgage Note included in the computation of Borrowing Base Value to create, incur, assume, become liable in respect of or suffer to exist any Indebtedness that is recourse to such Subsidiary Guarantor.

7.3 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens (not affecting the Collateral) in existence on the date hereof listed on Schedule 7.3(f), securing Indebtedness permitted by Section 7.2(d), provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens created pursuant to the Security Documents;

(h) any interest or title of a lessor under any lease entered into by the Borrower or any other Subsidiary in the ordinary course of its business and covering only the assets so leased; and

(i) Liens (not affecting the Collateral) securing Indebtedness permitted by Section 7.2(f);

provided that notwithstanding the foregoing, the Borrower shall not, and shall not permit any of its Subsidiaries to, grant a Lien on its Capital Stock as collateral for Indebtedness to any Person other than the Administrative Agent.

7.4 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Subsidiary Guarantor (provided that a Wholly Owned Subsidiary Guarantor shall be the continuing or surviving corporation);

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (i) to the Borrower or any Wholly Owned Subsidiary Guarantor (upon voluntary liquidation or otherwise) or (ii) pursuant to a Disposition permitted by Section 7.5; and

(c) any Investment expressly permitted by Section 7.8 may be structured as a merger, consolidation or amalgamation.

7.5 Disposition of Property. Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) Dispositions permitted by clause (i) of Section 7.4(b);

(d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Wholly Owned Subsidiary Guarantor; and

(e) the Disposition of other property having a fair market value not to exceed $50,000,000 in the aggregate for any fiscal year of the Borrower, so long as no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto, and the Borrower complies with Section 2.11 and Section 6.11.

7.6 Restricted Payments. Declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of any Group Member, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any Group Member (collectively, "Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the Borrower or any Wholly Owned Subsidiary Guarantor;

(b) so long as no Default or Event of Default shall have occurred and be continuing, the Borrower may make Restricted Payments to Holdings and Holdings may make Restricted Payments of such amount to its shareholders; provided that (i) beginning with the fiscal quarter ended December 31, 2007, the Borrower shall not make Restricted Payments to Holdings in excess of 100% of FFO (w) for the period of one fiscal quarter for the fiscal quarter ended December 31, 2007, (x) for the period of two fiscal quarters for the fiscal quarter ended March 31, 2008, (y) for the period of three fiscal quarters, for the fiscal quarter ended June 30, 2008, and (z) for the period of four fiscal quarters, for the fiscal quarter ended September 30, 2008 and thereafter, (ii) if a Default or an Event of Default has occurred and is continuing, the Borrower may only make Restricted Payments to Holdings in the amounts required to be made by Holdings in order to maintain its status as a REIT; and (iii) the Borrower may not make any Restricted Payments to Holdings if the Obligations have been declared due and payable.

7.7 [Reserved].

7.8 Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents;

(c) Guarantee Obligations permitted by Section 7.2;

(d) loans and advances to employees of any Group Member in the ordinary course of business (including for travel, entertainment and relocation expenses) in an aggregate amount for all Group Members not to exceed $1,000,000 at any one time outstanding;

(e) [reserved];

(f) intercompany Investments by any Group Member in the Borrower or any Person that, prior to such investment, is a Wholly Owned Subsidiary Guarantor; and

(g) Investments consisting of acquisitions of real property or Mortgage Notes receivable consistent with the Borrower's business strategy, so long as no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto.

7.9 Optional Payments and Modifications of Certain Debt Instruments. (a) Make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of or otherwise optionally or voluntarily defease or segregate funds with respect to the Senior Notes or the Senior Exchangeable Notes; or (b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Senior Notes or the Senior Exchangeable Notes (other than any such amendment, modification, waiver or other change that would extend the maturity or reduce the amount of any payment of principal thereof or reduce the rate or extend any date for payment of interest thereon).

7.10 Transactions with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than Holdings, the Borrower or any Wholly Owned Subsidiary Guarantor) unless such transaction is (a) otherwise not prohibited under this Agreement, (b) in the ordinary course of business of the relevant Group Member, and (c) upon fair and reasonable terms no less favorable to the relevant Group Member than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

7.11 Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by any Group Member of real or personal property that has been or is to be sold or transferred by such Group Member to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Group Member.

7.12 Swap Agreements. Enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure (other than those in respect of Capital Stock or the Senior Notes or the Senior Exchangeable Notes) and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary.

7.13 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters.

7.14 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Group Member to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, other than (a) this Agreement and the other Loan Documents and (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby).

7.15 Clauses Restricting Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, the Senior Exchangeable Note Indenture or the Senior Indenture and (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

7.16 Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the date of this Agreement or that are reasonably related thereto.

SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 6.4(a) (with respect to Holdings and the Borrower only), Section 6.7(a) or Section 7 of this Agreement or Section 5 of the Guarantee and Collateral Agreement; or

(d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after notice to the Borrower from the Administrative Agent or the Required Lenders; or

(e) any Group Member shall (i) default in making any payment of any principal of any Indebtedness (including any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $15,000,000; or

(f) (i) any Group Member shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Group Member shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Group Member any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of 60 days; or (iii) there shall be commenced against any Group Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Group Member shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Group Member shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of any Group Member or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) any Group Member or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or

(h) one or more judgments or decrees shall be entered against any Group Member involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $15,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby, or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) (i) (any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 30% of the outstanding common stock of Holdings; (ii) the board of directors of Holdings shall cease to consist of a majority of Continuing Directors; (iii) Holdings shall cease to own and control, of record and beneficially, directly, 90% of each class of outstanding Capital Stock of the Borrower free and clear of all Liens; or (iv) a Specified Change of Control shall occur;

(l) Holdings shall (i) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Borrower, (ii) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (w) Indebtedness incurred with respect to guarantees of the Senior Notes, the Senior Exchangeable Notes or the Indebtedness set forth on Schedule 7.3(f), (x) nonconsensual obligations imposed by operation of law, (y) obligations pursuant to the Loan Documents to which it is a party and (z) obligations with respect to its Capital Stock, or (iii) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends made by the Borrower in accordance with Section 7.6 pending application in the manner contemplated by said Section) and cash equivalents) other than the ownership of shares of Capital Stock of the Borrower; or

(m) the collateral granted to the Lenders under the Existing Credit Agreement has not been released under the Existing Credit Agreement and added as Collateral hereunder on or before December 31, 2007;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i), (ii), (iii) or (iv) of paragraph (f) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto). Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower.

SECTION 9. THE AGENTS

9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

9.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to Holdings or the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender, Holdings or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by Holdings or the Borrower and without limiting the obligation of Holdings or the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it and with respect to any Letters of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms “Lender” and “Lenders” shall include each Agent in its individual capacity.

9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 10 days’ notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term “Administrative Agent” shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent’s rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent’s notice of resignation, the retiring Administrative Agent’s resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent’s resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

9.10 Syndication Agent. The Syndication Agent shall not have any duties or responsibilities hereunder in its capacity as such.

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers. Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of the Term Loan, reduce the stated rate of any interest or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Majority Facility Lenders of each adversely affected Facility) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Commitment, in each case without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section 10.1 without the written consent of such Lender; (iii) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release Holdings or all or substantially all of the Subsidiary Guarantors from their obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders; (iv) amend, modify or waive any provision of Section 9 without the written consent of the Administrative Agent; (v) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility; (vi) amend, modify or waive any provision of Section 2.6 or 2.7 without the written consent of the Swingline Lender; (vii) amend, modify or waive any provision of Section 3 without the written consent of the Issuing Lender; or (viii) change Section 2.17 (a), (b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender affected thereby. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

10.2 <u>Notices</u>. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of Holdings, the Borrower and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

Holdings:	Medical Properties Trust, Inc. 1000 Urban Center Drive, Suite 501 Birmingham, AL 35242	
	Attention:	Michael G. Stewart
	Telecopy:	(205) 969-3756
	Telephone:	(205) 969-3755
Borrower:	MPT Operating Partnership, L.P. c/o Medical Properties Trust, Inc. 1000 Urban Center Drive, Suite 501	

	Birmingham, AL 35242	
	Attention:	Michael G. Stewart
	Telecopy:	(205) 969-3756
	Telephone:	(205) 969-3755
Administrative Agent:	JPMorgan Chase Bank, N.A. 277 Park Avenue, 3rd Floor New York, NY 10172	
	Attention:	Vanessa Chiu
	Telecopy:	(646) 534-0574
	Telephone:	(212) 622-6015

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and filing and recording fees and expenses and including such costs and expenses incurred under Section 6.10 and 6.11, with statements with respect to the foregoing to be submitted to the Borrower prior to the Funding Date (in the case of amounts to be paid on the Funding Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective officers, directors, employees, affiliates, advisors, trustees, agents and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Group Member or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence, willful misconduct or breach of obligations of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 10.5 shall be payable not later than 10 Business Days after written demand therefor. Statements payable by the Borrower pursuant to this Section 10.5 shall be submitted to Michael G. Stewart (Telephone No. (205) 969-3755) (Telecopy No. (205) 969-3756), at the address of the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any affiliate of the Issuing Lender that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons, other than a natural person (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent of:

(A) the Borrower (such consent not to be unreasonably withheld or delayed), provided that no consent of the Borrower shall be required for an assignment to a Lender, an affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default has occurred and is continuing, any other Person;

(B) the Administrative Agent (such consent not to be unreasonably withheld or delayed), provided that no consent of the Administrative Agent shall be required for an assignment of all or any portion of a Term Loan to a Lender, an affiliate of a Lender or an Approved Fund; and

(C) the Issuing Lender and the Swingline Lender (such consent not to be unreasonably withheld or delayed), provided that no consent of the Issuing Lender or the Swingline Lender shall be required for an assignment of all or any portion of a Term Loan.

(i) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $1,000,000 (in the case of a Term Loan) or $5,000,000 (in the case of a Revolving Commitment) unless each of the Borrower and the Administrative Agent otherwise consent, provided that (1) no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the assigning Lender and the Assignee party to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire.

For the purposes of this Section 10.6, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an affiliate of a Lender or (c) an entity or an affiliate of an entity that administers or manages a Lender.

(ii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.18, 2.19, 2.20 and 10.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iii) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary.

(iv) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c)(i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 10.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.18, 2.19 and 2.20 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.7(b) as though it were a Lender, provided such Participant shall be subject to Section 10.7(a) as though it were a Lender.

(v) A Participant shall not be entitled to receive any greater payment under Section 2.18 or 2.19 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. Any Participant that is a Non-U.S. Lender shall not be entitled to the benefits of Section 2.19 unless such Participant complies with Section 2.19(d).

(b) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(c) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (d) above.

(d) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Administrative Agent and without regard to the limitations set forth in Section 10.6(b). Each of Holdings, the Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

10.7 Adjustments; Set-off.

(a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility, if any Lender (a "Benefitted Lender") shall receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to Holdings or the Borrower, any such notice being expressly waived by Holdings and the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by Holdings or the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of Holdings or the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of Holdings, the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission To Jurisdiction; Waivers. Each of Holdings and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Holdings or the Borrower, as the case may be at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 Acknowledgements. Each of Holdings and the Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to Holdings or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and Holdings and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among Holdings, the Borrower and the Lenders.

10.14 Releases of Guarantees and Liens. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 10.1) to take any action requested by the Borrower having the effect of releasing any Collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 10.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans, the Reimbursement Obligations and the other obligations under the Loan Documents shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

10.15 Confidentiality. Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party, the Administrative Agent or any Lender pursuant to or in connection with this Agreement that is designated by the provider thereof as confidential; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate thereof, (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Transferee or any direct or indirect counterparty to any Swap Agreement (or any professional advisor to such counterparty), (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates in connection with their rights and obligations hereunder and under the other Loan Documents, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.16 WAIVERS OF JURY TRIAL. HOLDINGS, THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.17 USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”) hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

MEDICAL PROPERTIES TRUST, INC.

By: /s/ R. Steve Hamner
Name: R. Steve Hamner
Title: Executive Vice President and Chief Financial Officer

MPT OPERATING PARTNERSHIP, L.P.

By: /s/ R. Steve Hamner
Name: R. Steve Hamner
Title: Executive Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A., as
Administrative Agent and as a Lender

By: /s/ Vanessa Chiu
Name: Vanessa Chiu
Title: Vice President

KEYBANK NATIONAL ASSOCIATION, as
Syndication Agent and as a Lender

By: /s/ Laura Conway
Name: Laura Conway
Title: Vice President

RAYMOND JAMES BANK, FSB, as a Lender

By: /s/ Thomas G. Scott
Name: Thomas G. Scott
Title: Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS, as a Lender

By: /s/ Carin Keegan
Name: Carin Keegan
Title: Vice President

By: /s/ Erin Morrissey
Name: Erin Morrissey
Title: Vice President

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director Banking Products Services, US

By: /s/ David B. Julie
Name: David B. Julie
Title: Associate Director Banking Products Services, US

ROYAL BANK OF CANADA, as a Lender

By: /s/ Dan LePage
Name: Dan LePage
Title: Authorized Signatory

SECOND AMENDMENT
TO
EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT is made as of September 29, 2006 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 are referenced collectively as the "Company"), and Edward K. Aldag, Jr. (the "Executive"):

WHEREAS, the Executive and the Company entered into an Employment Agreement Dated September 10, 2003, as first amended on March 8, 2004, (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 4 of the Employment Agreement is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

"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"). The Bonus Policy shall contain both individual and group goals. 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"), 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, subject to ratification by the Board, if required. The Executive's bonus shall not be subject to any minimum award, as provided in the Executive's Employment Agreement previous to this amendment. Additionally, in consideration for the Executive's agreement to forgo a guaranteed minimum bonus, the Company agrees that the previous bonus ceiling of 100% of salary is no longer applicable and that, henceforth, there shall be no limitation or ceiling on the maximum bonus that may be awarded to the Executive by the Board of Directors or its Compensation Committee."

2. Except to the extent hereby amended, the Employment Agreement, as amended on March 8, 2004, is hereby confirmed and ratified and shall continue in full force and effect.

3. The effective date of this amendment is September 29,2006.

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

By: /s/ Emmett E. McLean
Emmett E. McLean
Executive Vice President and CEO

Dated: 10/10/06

EXECUTIVE:

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

Dated: 10/2/06

REIT:

By: /s/ Emmett E. McLean
Emmett E. McLean
Executive Vice President and CEO

Dated: 10/10/06

Exhibit 10.59

**FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT**

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT is made as of September 29, 2006 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 are referenced collectively as the "Company"), and Richard S. Hamner (the "Executive"):

WHEREAS, the Executive and the Company entered into an Employment Agreement Dated 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 4 of the Employment Agreement is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

> "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"). The Bonus Policy shall contain both individual and group goals. 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"), 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, subject to ratification by the Board, if required. The Executive's bonus shall not be subject to any minimum award, as provided in the Executive's Employment Agreement previous to this amendment. Additionally, in consideration for the Executive's agreement to forgo a guaranteed minimum bonus, the Company agrees that the previous bonus ceiling of 100% of salary is no longer applicable and that, henceforth, there shall be no limitation or ceiling on the maximum bonus that may be awarded to the Executive by the Board of Directors or its Compensation Committee."

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

3. The effective date of this amendment is September 29, 2006.

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

By: /s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and CEO

Dated: 10/2/06

REIT:

By: /s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and CEO

Dated: 10/2/06

EXECUTIVE:

/s/ Richard S. Hamner
Richard S. Hamner

Dated: 10/12/06

**FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT**

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT is made as of September 29, 2006 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 are referenced collectively as the "Company"), and William G. McKenzie (the "Executive"):

WHEREAS, the Executive and the Company entered into an Employment Agreement Dated 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 4 of the Employment Agreement is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

"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"). The Bonus Policy shall contain both individual and group goals. 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"), 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, subject to ratification by the Board, if required. The Executive's bonus shall not be subject to any minimum award, as provided in the Executive's Employment Agreement previous to this amendment. Additionally, in consideration for the Executive's agreement to forgo a guaranteed minimum bonus, the Company agrees that the previous bonus ceiling of 100% of salary is no longer applicable and that, henceforth, there shall be no limitation or ceiling on the maximum bonus that may be awarded to the Executive by the Board of Directors or its Compensation Committee."

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

3. The effective date of this amendment is September 29, 2006.

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

By: /s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and CEO

Dated: 10/2/06

EXECUTIVE:

/s/ William G. Mckenzie
William G. McKenzie

Dated: 10/2/06

REIT:

By: /s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and CEO

Dated: 10/2/06

FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT is made as of September 29, 2006 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 are referenced collectively as the "Company"), and Emmett E. McLean (the "Executive"):

WHEREAS, the Executive and the Company entered into an Employment Agreement Dated 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 4 of the Employment Agreement is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

"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"). The Bonus Policy shall contain both individual and group goals. 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"), 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, subject to ratification by the Board, if required. The Executive's bonus shall not be subject to any minimum award, as provided in the Executive's Employment Agreement previous to this amendment. Additionally, in consideration for the Executive's agreement to forgo a guaranteed minimum bonus, the Company agrees that the previous bonus ceiling of 100% of salary is no longer applicable and that, henceforth, there shall be no limitation or ceiling on the maximum bonus that may be awarded to the Executive by the Board of Directors or its Compensation Committee."

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

3. The effective date of this amendment is September 29, 2006.

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

By: /s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and CEO

Dated: 10/2/06

REIT:

By: /s/ Edward K. Aldag, Jr.
Edward K. Aldag, Jr.
Chairman, President and CEO

Dated: 10/2/06

EXECUTIVE:

/s/ Emmett E. McLean
Emmett E. McLean

Dated: 10/10/06

Exhibit 10.62

FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT is made as of September 29, 2006 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 are referenced collectively as the “Company”), and Michael G. Stewart (the “Executive”):

WHEREAS, the Executive and the Company entered into an Employment Agreement Dated April 28, 2005 (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 4 of the Employment Agreement is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

    “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”). The Bonus Policy shall contain both individual and group goals. 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”), 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, subject to ratification by the Board, if required. The Executive’s bonus shall not be subject to any minimum award, as provided in the Executive’s Employment Agreement previous to this amendment. Additionally, in consideration for the Executive’s agreement to forgo a guaranteed minimum bonus, the Company agrees that the previous bonus ceiling of 100% of salary is no longer applicable and that, henceforth, there shall be no limitation or ceiling on the maximum bonus that may be awarded to the Executive by the Board of Directors or its Compensation Committee.”

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

3. The effective date of this amendment is September 29, 2006.

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/ Michael G. Stewart Michael G. Stewart
By. /s/ Edward K. Aldag, JR. Edward K. Aldag, Jr. Chairman, President and CEO	Dated: 10/3/06
Dated: 10/2/06	
REIT:	
By: /s/ Edward K. Aldag, Jr. Edward K. Aldag, Jr. Chairman, President and CEO	
Dated: 10/2/06	

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

Subsidiary	**Jurisdiction of Organization**	**Jurisdiction(s) in Which Qualified as a Foreign Corporation**
1300 Campbell Lane, LLC	Delaware	Kentucky
4499 Acushnet Avenue, LLC	Delaware	Massachusetts
7173 North Sharon Avenue, LLC	Delaware	California
8451 Pearl Street, LLC	Delaware	Colorado
92 Brick Road, LLC	Delaware	New Jersey
Medical Properties Trust, LLC	Delaware	Alabama
MPT Development Services, Inc.	Delaware	Alabama
MPT Finance Company, LLC	Delaware	
MPT of Bloomington, LLC	Delaware	Indiana
MPT of Anaheim, LLC	Delaware	California
MPT of Anaheim, L.P.	Delaware	California
MPT of Bucks County, L.P.	Delaware	Pennsylvania
MPT of Bucks County, LLC	Delaware	Pennsylvania
MPT of California, LLC	Delaware	California
MPT of Centinela, L.P.	Delaware	California
MPT of Centinela, LLC	Delaware	California
MPT of Chino, LLC	Delaware	California
MPT of Covington, LLC	Delaware	Louisiana
MPT of Dallas LTACH, L.P.	Delaware	Texas
MPT of Dallas LTACH, LLC	Delaware	Texas (as “MPT of Dallas LTACH GP, LLC”)
MPT of Denham Springs, LLC	Delaware	Louisiana
MPT of Huntington Beach, LLC	Delaware	California
MPT of Huntington Beach, L.P.	Delaware	California
MPT of Inglewood, LLC	Delaware	California
MPT of Inglewood, L.P.	Delaware	California
MPT of La Palma, LLC	Delaware	California
MPT of La Palma, L.P.	Delaware	California
MPT of Luling, LLC	Delaware	Texas (as “Delaware MPT of Luling, LLC”)
MPT of Luling, L.P.	Delaware	Texas
MPT of Montclair, L.P.	Delaware	California
MPT of Montclair, LLC	Delaware	
MPT of North Cypress, L.P.	Delaware	Texas (as “Delaware MPT of North Cypress Texas, L.P.”)
MPT of North Cypress, LLC	Delaware	Texas
MPT of Paradise Valley, LLC	Delaware	California
MPT of Paradise Valley, L.P.	Delaware	California
MPT of Portland, LLC	Delaware	Oregon
MPT of Redding, LLC	Delaware	California
MPT of Shasta, LLC	Delaware	California
MPT of Shasta, L.P.	Delaware	California
MPT of Sherman Oaks, LLC	Delaware	California
MPT of Southern California, LLC	Delaware	California
MPT of Southern California, L.P.	Delaware	California
MPT of Twelve Oaks, LLC	Delaware	Texas
MPT of Twelve Oaks, L.P.	Delaware	Texas
MPT of Victoria, LLC	Delaware	Texas (as “Delaware MPT of Victoria, LLC”)
MPT of Victoria, L.P.	Delaware	Texas
MPT of Victorville, LLC	Delaware	California
MPT of Warm Springs, LLC	Delaware	Texas (as “Delaware MPT of Warm Springs, LLC”)
MPT of Warm Springs, L.P.	Delaware	Texas
MPT of West Anaheim, LLC	Delaware	California
MPT of West Anaheim, L.P.	Delaware	California
MPT Operating Partnership, L.P.	Delaware	Massachusetts, Alabama
MPT West Houston Hospital, LLC	Delaware	Texas (as “MPT West Houston Hospital GP, LLC”)
MPT West Houston Hospital, L.P.	Delaware	Texas
MPT West Houston MOB, LLC	Delaware	Texas (as “MPT West Houston MOB GP, LLC”)
MPT West Houston MOB, L.P.	Delaware	Texas
San Joaquin Health Care Associates Limited Partnership	Delaware	California

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Medical Properties Trust, Inc.

We consent to the incorporation by reference in the registration statements (No. 333-130337) on Form S-8 and (Nos. 333-121883, 333-140433, and 333-141100) on Form S-3 of Medical Properties Trust, Inc. of our report dated March 13, 2008, with respect to (i) the consolidated balance sheets of Medical Properties Trust, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007, and the related financial statement schedules, and (ii) the effectiveness of internal control over financial reporting as of December 31, 2007, which reports appear in the December 31, 2007 Annual Report on Form 10-K of Medical Properties Trust, Inc.

/s/ KPMG LLP

Birmingham, Alabama
March 13, 2008

Exhibit 23.2

The Board of Directors
Prime Healthcare Services, Inc., and Subsidiaries

We hereby consent to the incorporation by reference in the registration statements (No. 333-130337) on Form S-8 and (Nos. 333-121883, 333-140433 and 333-141100) on Form S-3 of Medical Properties Trust, Inc. of our report dated June 13, 2007, relating to the consolidated balance sheets of Prime Healthcare Services, Inc. and Subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2006 which reports appear in the December 31, 2007 Annual Report on Form 10-K of Medical Properties Trust, Inc.

/s/ Moss Adams LLP

Irvine, California
March 13, 2008

Exhibit 31.1

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

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

1) I have reviewed this annual report on Form 10-K of Medical Properties Trust, Inc.

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2008

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

Exhibit 31.2

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

I, R. Steven Hamner, certify that:

1) I have reviewed this annual report on Form 10-K of Medical Properties Trust, Inc.

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2008

/s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and Chief
Financial Officer

Exhibit 32

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

In connection with this annual report on Form 10-K of Medical Properties Trust, Inc. (the “Company”) for the year ended December 31, 2007 (the “Report”), each of the undersigned, Edward K. Aldag, Jr. and R. Steven Hamner, certifies, pursuant to Section 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2008

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

/s/ R. Steven Hamner
R. Steven Hamner
Executive Vice President and Chief
Financial Officer

Exhibit 99.1

PRIME HEALTHCARE SERVICES, INC.
AND SUBSIDIARIES

INDEPENDENT AUDITOR’S REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated balance sheets	2-3
Consolidated statements of income	4
Consolidated statements of stockholders’ equity	5
Consolidated statements of cash flows	6-7
Notes to consolidated financial statements	8-27

[LETTERHEAD OF MOSS ADAMS LLP]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Prime Healthcare Services, Inc., and Subsidiaries

We have audited the accompanying consolidated balance sheets of Prime Healthcare Services, Inc., and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Prime Healthcare Services, Inc., and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prime Healthcare Services, Inc., and Subsidiaries, as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* effective January 1, 2005. The Company has accounted for the effect of the adoption as a cumulative effect change in the consolidated statement of income for the year ended December 31, 2005.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 28 through 30 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

/s/ Moss Adams LLC

Irvine, California
June 13, 2007

PRIME HEALTHCARE SERVICES, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2006	DECEMBER 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 13,984,387	$ 25,550,515
Patient accounts receivable, net of allowance for doubtful accounts of $4,171,000 in 2006 and $3,427,000 in 2005	53,397,527	21,144,471
Related party receivables	956,361	596,301
Supplies inventory	2,233,614	1,676,500
Prepaid expenses and other assets	27,921,033	9,991,132
Deposits	1,881,544	2,524,120
Income taxes receivable	18,413	—
Deferred income taxes	—	787,000
Total current assets	100,392,879	62,270,039
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	31,045,265	14,931,460
GOODWILL	12,316,712	7,646,046
	$ 143,754,856	$ 84,847,545

	DECEMBER 31, 2006	DECEMBER 31, 2005
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	$ 1,159,486	$ —
Accounts payable	17,379,765	4,344,105
Accrued expenses	18,328,683	6,663,254
Medical claims payable	3,959,088	4,708,760
Related party payables	5,669,785	2,275,707
Income taxes payable	147,000	2,201,315
Estimated third-party payor settlements	2,640,190	5,610,607
Other current liabilities	1,219,450	1,309,357
Deferred income taxes	—	1,767,000
Current portion of capital leases	448,440	451,813
Current portion of long-term debt	9,093,668	2,033,145
Total current liabilities	60,045,555	31,365,063
LONG-TERM LIABILITIES		
Deferred income taxes	—	1,958,000
Accrued professional liability reserve	2,288,000	2,288,000
Capital leases, net of current portion	695,426	620,339
Long-term debt, net of current portion	14,734,500	8,098,070
Total long-term liabilities	17,717,926	12,964,409
NON CONTROLLING INTEREST	31,299,046	17,746,674
STOCKHOLDERS' EQUITY		
Common stock, .$01 par value, 3,000 shares authorized, 100 shares issued and outstanding	1	1
Additional paid in capital	2,999	2,999
Note receivable from stockholder	(9,000,000)	—
Retained earnings	43,689,329	22,768,399
	34,692,329	22,771,399
	$ 143,754,856	$ 84,847,545

See accompanying notes.

PRIME HEALTHCARE SERVICES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 2006	2005
REVENUE		
Net patient service revenue	$ 336,335,806	$ 139,635,409
Premium revenue	26,440,384	28,580,312
Other revenue	5,510,341	1,678,946
	368,286,531	169,894,667
OPERATING EXPENSES		
Compensation and employee benefits	141,878,408	51,493,423
Provision for doubtful accounts	42,161,121	25,731,743
General and administrative	73,949,811	31,773,780
Medical supplies	30,280,374	13,465,691
Professional services	27,203,252	14,045,050
Depreciation and amortization	3,573,601	1,388,162
Medical claims	1,321,107	845,433
(Gain) loss on sale of assets	(9,939)	326,282
	320,357,735	139,069,564
INCOME FROM OPERATIONS	47,928,796	30,825,103
INTEREST EXPENSE, net	(642,039)	(44,599)
GAIN ON EXTINGUISHMENT OF DEBT	104,447	2,845,071
INCOME BEFORE PROVISION FOR INCOME TAXES	47,391,204	33,625,575
INCOME TAX (BENEFIT) PROVISION	(2,682,098)	4,084,838
INCOME BEFORE EXTRAORDINARY GAIN	50,073,302	29,540,737
EXTRAORDINARY GAIN ON ACQUISITION	—	4,402,621
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	50,073,302	33,943,358
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	—	(712,880)
INCOME BEFORE ALLOCATION TO NON-CONTROLLING INTEREST	50,073,302	33,230,478
ALLOCATION OF INCOME TO NON-CONTROLLING INTEREST	(27,052,372)	(27,258,407)
CONTROLLING INTEREST IN NET INCOME	$ 23,020,930	$ 5,972,071

See accompanying notes.

PRIME HEALTHCARE SERVICES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Shares	Note Receivable from Stockholder	Common Stock	Additional Paid in Capital	Retained Earnings	Total
BALANCE, December 31, 2004	30	$ —	$ 1	$ 2,999	$ 16,796,328	$ 16,799,328
Controlling interest in net income	—	—	—	—	5,972,071	5,972,071
BALANCE, December 31, 2005	30	—	1	2,999	22,768,399	22,771,399
Distributions to stockholders	—	—	—	—	(2,100,000)	(2,100,000)
Notes receivable from shareholder	—	(9,000,000)	—	—	—	(9,000,000)
Controlling interest in net income	—	—	—	—	23,020,930	23,020,930
BALANCE, December 31, 2006	30	$ (9,000,000)	$ 1	$ 2,999	$ 43,689,329	$ 34,692,329

See accompanying notes.

PRIME HEALTHCARE SERVICES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Controlling interest in net income	$ 23,020,930	$ 5,972,071
Adjustments to reconcile controlling interest in net income to net cash provided by operating activities:		
Depreciation and amortization	3,573,601	1,388,162
Loss (Gain) on sale of assets	(9,939)	326,282
Provision for doubtful accounts	42,161,121	25,731,743
Extraordinary gain on acquisition	—	(4,402,621)
Gain on extinguishment of debt	(104,447)	(2,845,071)
Deferred income taxes	(2,938,000)	2,460,000
Non controlling interest in net income	27,052,372	27,971,287
Changes in assets and liabilities net of acquisitions:		
Patient accounts receivable	(74,264,177)	(28,180,154)
Supplies inventory	439,965	138,028
Prepaid expenses and other assets	(17,459,183)	(2,915,119)
Deposits	253,068	(1,552,483)
Due to/ from related parties	508,032	(49,417)
Accounts payable	13,035,659	(4,242,153)
Accrued expenses	5,526,967	(3,441,764)
Medical claims payable	(749,672)	(799,641)
Income taxes payable/ receivable	(2,072,728)	(1,559,982)
Estimated third-party payor settlements	(2,970,417)	1,345,613
Other current liabilities	14,540	2,600,314
Accrued professional liability reserve	—	(940,000)
Net cash provided by operating activities	15,017,692	17,005,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Veritas	—	(1,050,000)
Cash received from acquisition of Veritas	—	3,946,394
Acquisition of net assets from Sherman Oaks Health System	—	(695,758)
Purchase of property and equipment	(16,866,981)	(5,247,575)
Proceeds from the sale of assets	—	64,600
Amounts advanced for related party receivables	(2,985,048)	(10,942,291)
Amounts received from related party receivables	5,361,034	24,987,500
Net cash (used in) provided by investing activities	(14,490,995)	11,062,870
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in bank overdraft	1,159,486	(395,728)
Proceeds from long-term debt borrowing	5,412,366	9,269,205
Payments on long-term debt	(3,064,677)	(3,404,568)
Distribution to non-controlling interest	(14,500,000)	(9,500,000)
Advances on stockholder notes receivable	(9,000,000)	
Distribution to stockholder	(2,100,000)	—
Proceeds from issuance of common stock in non controlling interest	1,000,000	—
Net borrowing from lines of credit	9,000,000	—
Net cash used in financing activities	(12,092,825)	(4,031,091)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,566,128)	24,036,874
CASH AND CASH EQUIVALENTS, beginning of year	25,550,515	1,513,641
CASH AND CASH EQUIVALENTS, end of year	$ 13,984,387	$ 25,550,515

	YEAR ENDED DECEMBER 31,	
	2006	2005
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 1,148,702	$ 943,729
Income taxes	$ 1,431,500	$ 2,525,000
SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES		
Obligations incurred for the acquisition of property and equipment	$ 2,420,978	$ 1,884,935

See accompanying notes.

PRIME HEALTHCARE SERVICES, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Nature of Business

Prime Healthcare Services, Inc. (the "Company" or "PHSI"), formerly Desert Valley Health System, Inc., is a Delaware corporation incorporated on March 27, 2000. The Company is a holding company whose principal activity is the ownership and management of its wholly owned subsidiaries, Desert Valley Hospital, Inc. ("DVH"), Prime Healthcare Services, LLC ("PHS"), Apple Valley Surgery Center Corporation ("AVSCC"), Prime Healthcare Systems II, LLC dba Sherman Oaks Hospital ("PHS2"), Veritas Health Services, Inc. dba Chino Valley Medical Center, Prime Healthcare Huntington Beach, LLC dba Huntington Beach Hospital, Prime Healthcare La Palma, LLC dba La Palma Intercommunity Hospital, Prime Healthcare Anaheim, LLC dba West Anaheim Medical Center, Prime Healthcare Services III, LLC dba Montclair Hospital Medical Center ("PHS3"). DVH operates an 83 bed acute care hospital ("Desert Valley Hospital") located in Victorville, California. AVSCC operates an ambulatory surgery center located in Apple Valley, California. PHS provides management and consulting services to other healthcare organizations. PHS3 was created during the year ended December 31, 2005 for the purpose of acquiring a hospital (Note 12). Sherman Oaks Hospital is a 153 bed acute care hospital located in Sherman Oaks, California. Veritas Health Services, Inc. ("Veritas") is a 126 bed acute care hospital located in Chino California. PHSI acquired 100% of the outstanding common stock of Veritas on January 1, 2006 (Note 12). Prime Healthcare Huntington Beach, LLC ("HBH") was formed during the year ended December 31, 2006 for the purpose of acquiring certain operating assets of VHS of Huntington Beach, Inc. dba Huntington Beach Hospital (Note 12). HBH operates a 131 bed acute care hospital located in Huntington Beach, California. Prime Healthcare La Palma, LLC ("La Palma") was formed during the year ended December 31, 2006 for the purpose of acquiring certain operating assets of VHS of Orange County, Inc. dba La Palma Intercommunity Hospital (Note 12). La Palma operates a 141 bed acute care hospital located in La Palma, California. Prime Healthcare Anaheim, LLC ('WAMC") was formed during the year ended December 31, 2006 for the purpose of acquiring certain operating assets of VHS of Anaheim, Inc. dba West Anaheim Medical Center (Note 12). WAMC operates a 219 bed acute care hospital located in Anaheim, California. Prime Healthcare Services III, LLC ("Montclair") was formed during the year ended December 31, 2006 for the purpose of acquiring certain operating assets of Doctor's Hospital Medical Center of Montclair, L.P. dba Doctor's Hospital Medical Center of Montclair (Note 12). Montclair operates a 102 bed acute care hospital located in Montclair, California.

Note 1 — Nature of Business (continued)

Effective January 1, 2005 the Company adopted Financial Accounting Standards Board (FASB) Financial Interpretation No. 46(R) "*Consolidation of Variable Interest Entities*" (FIN46(R)). The Company determined that it has a variable interest in Desert Valley Medical Group, Inc. ("DVMG"), Chino Valley Medical Group, Inc. ("CVMG"), Sherman Oaks Medical Group Management, Inc. ("SOMGM"), and Prime Management Services, Inc. ("PMSI"). It was also determined that PHSI is the primary beneficiary of these variable interest entities. The adoption of FIN46(R) resulted in a cumulative effect adjustment of $712,880 which was a reduction in income before allocation to non-controlling interest. See basis of consolidation below. DVMG was incorporated as a California professional corporation in August 1995 and is headquartered in Victorville, California. DVMG has over 60 board-certified primary care and specialty physicians, urgent care/walk-in clinics, on-site imaging, health education and access to pharmacy, and lab services. DVMG is affiliated with DVH, which is adjacent to the main campus of DVMG. CVMG was formed in February 2005 to establish a multi-specialty medical group. As of December 31, 2006 CVMG has not commenced operations. SOMGM was incorporated as a California professional corporation in October 2005 and is located in Sherman Oaks, California. PMSI was incorporated on October 18, 2005 as a California corporation. PMSI provides certain management services to hospitals owned by PHSI.

Note 1 — Nature of Business (continued)

Following is summarized financial statement information for DVMG as of and for the year ended December 31, 2006:

Balance Sheet Information	
Current assets	$ 3,302,663
Property and equipment, net	753,207
Deposits	222,400
Related party receivables	2,605,740
Total Assets	$ 6,884,010
Current liabilities	$ 5,907,142
Long-term liabilities	1,701,481
Stockholder's deficit	(724,613)
Total liabilities and stockholder's deficit	$ 6,884,010
Income Statement Information	
Revenue	$ 41,349,404
Operating expenses	37,273,223
Income from operations	4,076,181
Other, net	(11,733)
Income before income taxes	4,064,448
Income taxes	59,000
Net income	$ 4,005,448

Note 2 — Organization and Summary of Significant Accounting Policies

Basis of consolidation - The consolidated financial statements include the accounts of the Company, DVH, PHS, PHS2, PHS3, AVSCC, Veritas, HBH, La Palma and WAMC, after the elimination of all material intercompany transactions and balances. The Company has determined that DVMG, CVMG, SOMGM and PMSI are variable interest entities as defined by FIN 46(R). The equity of the variable interest entities have been reflected as a non-controlling interest as of December 31, 2006 and 2005. On October 1, 2005, DVMG acquired all of the outstanding shares of Veritas Health Services, Inc. dba Chino Valley Medical Center (see Note 12). DVMG's consolidated financial statements as of and for the year ended December 31, 2005 includes the accounts of CVMC from the date of acquisition, October 1, 2005, through December 31, 2005. All inter-company accounts and transactions have been eliminated upon consolidation. The consolidation of these entities does not change any legal ownership, and does not change the assets or the liabilities and equity of PHSI as a stand-alone entity. However, certain creditors of the non-controlling interest entity have recourse to the general credit of the Company.

Net patient service revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. In some cases, reimbursement is based on formulas which cannot be determined until cost reports are filed and audited or otherwise settled by the various programs. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient service revenue.

Premium revenue and medical claims expense - The Company has agreements with various Health Maintenance Organizations ("HMO") to provide medical services to enrollees. Under these agreements, the Company receives monthly capitation revenue based on the number of each HMO's enrollees, regardless of services actually performed by the Company. Premium revenue under HMO contracts is recognized during the period in which the Company is obligated to provide services. Certain of the HMO contracts also contain shared-risk provisions whereby the Company can earn additional incentive revenue or incur penalties based upon the utilization of inpatient hospital services by assigned HMO enrollees. The Company records shared-risk revenue and expenses based upon inpatient utilization on an estimated basis. Differences between estimated shared-risk revenue or expenses and actual amounts are recorded upon final settlement with each HMO. Amounts due to unaffiliated health care providers for out of network claims are recognized as incurred. The amounts recorded are based upon projections of historical developments. Such projections are adjusted and estimates changed when developments of claims information warrant. Estimation differences are reflected in medical claims expenses.

Note 2 — Organization and Summary of Significant Accounting Policies (continued)

Supplies inventory - Supplies inventory is stated at cost, determined by the average cost method, which is not in excess of market.

Property and equipment - Property and equipment is stated at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years. Amortization of leasehold improvements is computed over the lessor of the lease term and the estimated useful lives of the assets and is included in depreciation and amortization expense.

Use of estimates - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes - As of and for the year ended December 31, 2005, income taxes were accounted for under the asset and liability method for deferred income taxes for PHSI, DVH, AVSCC and Veritas. Under this method, deferred income tax assets and liabilities result from temporary differences in the financial reporting bases and the income tax reporting bases of assets and liabilities. When it appears more likely than not that deferred taxes will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its estimated realizable value. The Company files consolidated income tax returns with its subsidiaries.

Effective January 1, 2006 PHSI, DVH, AVSCC and Veritas, filed an election to convert corporate status from Sub chapter C corporations to Sub Chapter S of the Internal Revenue Code and state law. In addition, DVH, AVSCC, Veritas and PMSI are qualified Q subs of PHSI and are included in the PHSI consolidated income tax return for the year ended December 31, 2006. In lieu of corporate income taxes, the stockholders of PHSI will be taxed on their proportionate share of PHSI's net income as defined by the Internal Revenue Code. HBH, La Palma, WAMC, and Montclair are single member LLCs. Their taxable income and loss will be included in the PHSI consolidated income tax return for the year ended December 31, 2006. However, PHSI is subject to various state and franchise taxes. PHSI may disburse funds necessary to satisfy the stockholders' estimated income tax liabilities.

DVMG, PMSI and SOMGM have elected to be taxed under the provision of subchapter S of the Internal Revenue Code and state law. Under these provisions, the entities do not pay corporate income taxes on their taxable income. However, the entities are subject to California franchise taxes. In addition, the stockholders' of the entities are liable for individual federal and state income taxes on taxable income. The Company may disburse funds necessary to satisfy the stockholders' estimated tax liability.

Note 2 — Organization and Summary of Significant Accounting Policies (continued)

Cash and cash equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Goodwill - Management evaluates goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flow approach and market approach, which uses comparable data. If the carrying amount of the reporting unit exceeds fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any.

For the year ended December 31, 2006, the management of the Company determined that an impairment did not exist. However, if estimates or the related assumptions change in the future, the Company may be required to record impairment charges to reduce the carrying amount of this asset.

Fair value of financial instruments - The Company's consolidated balance sheets include the following financial instruments: cash and cash equivalents, patient accounts receivable, notes receivable, accounts payable and accrued liabilities, and long-term liabilities. The Company considers the carrying amounts of current assets and liabilities in the consolidated balance sheets to approximate the fair value of these financial instruments and their expected realization. The carrying amount of notes receivable and long-term debt approximated their fair value, based on current market rates of instruments of the same risks and maturities.

Note 3 — Concentration of Credit Risk

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist primarily of cash. The Company maintains cash in bank deposit accounts at high credit quality financial institutions. The balances at times, may exceed the $100,000 federally insured limit.

Patient accounts receivable at December 31, 2006 and 2005 are comprised of the following: government programs, primarily Medicare 31% and 27%, respectively, Medi-Cal 25% and 21%, respectively, Healthcare maintenance and preferred provider organizations (managed care programs) 16% and 2%, respectively, and private pay and commercial insurance patients 28% and 50%, respectively. Management believes there are no credit risks associated with receivables from government programs. Receivables from managed care programs and others are from various payors who are subject to differing economic conditions and do not represent concentrated risks to the Company. Management continually monitors and adjusts the reserves associated with receivables, and does not require collateral. Losses due to bad debts have been within management's estimates.

Note 4 — Property and Equipment

Property and equipment consist of the following at December 31:

	2006	2005
Equipment	$ 40,844,735	$ 27,583,264
Leasehold improvements	4,726,087	2,526,609
Automobiles	3,273,016	1,426,209
Construction in progress (estimated cost to complete at December 31, 2006 is approximately $16,475,000)	2,663,488	477,641
	51,507,326	32,013,723
Accumulated depreciation and amortization	(20,462,061)	(17,082,263)
	$ 31,045,265	$ 14,931,460

Gross property and equipment includes $1,906,347 of equipment under capital lease arrangements as of December 31, 2006. Related accumulated amortization totaled approximately $587,980 as of December 31, 2006.

Note 5 — Long-Term Debt

Long-term debt consists of the following as of December 31:

	2006	2005
Line of credit with City National Bank, secured by accounts receivable, interest payable monthly at an annual rate of prime (8.25% at December 31, 2006), due March 1, 2007.	$ 6,000,000	$ —
Term loans with GE Commercial Finance, secured by various equipment, payable in monthly installments ranging from approximately $7,000 to $140,000 including interest at fixed interests rate ranging from 6.63% to 7.44% per annum, maturing in 2010.	6,111,616	5,664,448
Term loan with City National Bank, secured by equipment, interest payable monthly at an annual rate of prime (8.25% at December 31, 2006), principal payable in monthly payments of $116,667, maturing on August 1, 2011.	6,493,450	4,295,312
Bank note payable, secured by certain real estate, bearing interest at 5.75% per annum, payable in monthly payments of $1,258, maturing in August 2024.	160,457	171,455
Line of credit with Merrill Lynch, secured by accounts receivables, interest payable monthly at an annual rate of LIBOR plus 3% (8.38% at December 31, 2006), maturing in September 2008.	3,000,000	—
Note payable with City National Bank, secured by equipment, bearing interest at LIBOR plus 1.5% per annum (6.88% at December 31, 2006), principal payable in monthly payment of $34,377 starting September 1, 2007, maturing September 1, 2012.	2,062,645	—
	23,828,168	10,131,215
Less current portion	(9,093,668)	(2,033,145)
	$ 14,734,500	$ 8,098,070

Note 5 — Long-Term Debt (continued)

Aggregate annual principal maturities of long-term debt for the five years subsequent to December 31, 2006 are as follows:

Years ending December 31,	
2007	$ 9,093,668
2008	6,517,261
2009	3,639,390
2010	2,825,989
2011	1,312,986
Thereafter	438,874
	$ 23,828,168

During 2005, Veritas secured a line of credit in the amount of $5,000,000. The amounts drawn on this line of credit were $3,000,000 and $0 as of December 31, 2006 and 2005, respectively. Interest on the outstanding borrowings is payable monthly at LIBOR plus 3%. The interest rate was 8.38% as of December 31, 2006. The line is secured by accounts receivable of Veritas. Under the terms of the agreement, Veritas is required to maintain certain financial and non financial covenants. Management believes Veritas was in compliance with loan covenants as of December 31, 2006.

In March 2005, DVH and DVMG secured a line of credit in the amount of $7,000,000. The amounts drawn on this line of credit by DVH were $6,000,000 and $0 at December 31, 2006 and 2005, respectively. Interest on the outstanding borrowings is payable monthly at the lender’s prime rate plus 3%. The interest rate was 8.25% as of December 31, 2006. The line is secured by accounts receivable of DVH. Under the terms of the agreement, the Company is required to maintain certain financial and non financial covenants. Management believes the Company was in compliance with the covenants as of December 31, 2006.

Note 6 — Professional Liability and Workers Compensation Insurance

The Company has entered into an agreement with Desert Valley Insurance, LTD. (“DVIL”) and ACE Insurance Company to provide workers’ compensation insurance coverage for the Company. DVIL is affiliated with the Company through common ownership. Under the terms of the agreement DVIL is obligated to insure each workers’ compensation claim up to a maximum of $500,000 per claim. Losses in excess of $500,000 per claim are insured by ACE Insurance Company.

Note 6 — Professional Liability and Workers Compensation Insurance (continued)

The Company also entered into an agreement with DVIL to provide commercial malpractice liability insurance on a claims made basis. Under the policy with DVIL the Company is covered up to a $10,000,000 general aggregate limit with no amount deductible.

Accounting principles generally accepted in the United States of America require that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. The Company recognized an estimated liability based upon its claims experience to cover the Company's potential exposure to incurred but unreported claims. The claim reserve is based on the best data available to the Company; however, the estimate is subject to a significant degree of inherent variability. Such an estimate is continually monitored and reviewed, and as the reserve is adjusted, the difference is reflected in current operations. While the ultimate amount of professional liability is dependent on future developments, management is of the opinion that the associated liabilities recognized in the accompanying consolidated financial statements is adequate to cover such claims. Management is aware of no potential professional liability claims whose settlement, if any, would have a material adverse effect on the Company's consolidated financial position.

The Company has evaluated whether they are required to consolidate DVIL in accordance with FIN 46(R) as of December 31, 2006, and have determined that DVIL is not required to be consolidated.

Note 7 — Leases

During the period June 1, 2004 through February 28, 2005, the Company leased the Desert Valley Hospital facility under a month to month arrangement. Effective February 28, 2005, the Company entered into a new lease for this facility which expires on February 28, 2020. The new lease provides for monthly rent payments of approximately $240,000, which is adjusted annually based on the consumer price index.

The Company leases certain equipment under various non-cancelable operating and capital lease arrangements. The leases expire on various dates through 2011. Capital leases bear interest at rates ranging from 6.0% — 9.4%.

On November 30, 2005, Veritas entered into a non-cancelable operating lease for its hospital facility which expires November 30, 2020. Veritas has an option to extend the term of the lease for three additional periods of five years each. The lease provides for a monthly base rent of $175,000, which is adjusted annually based on the greater of 2% or the consumer price index.

On December 30, 2005, PHS2 entered into a non-cancelable operating lease for its hospital facility which expires December 30, 2020. PHS2 has an option to extend the term of the lease for three additional periods of five years each. The lease provides for a monthly base rent of $175,000, which is adjusted annually based on the greater of 2% or the consumer price index.

Note 7 — Leases (continued)

On July 31, 2006 Montclair entered into a non-cancelable operating lease for its hospital facility which expires July 31, 2021. Montclair has an option to extend the term of the lease for three additional periods of five years each. The lease provides for a monthly base rent of $162,500, which is adjusted annually based on the greater of 2% or consumer price index.

On November 8, 2006 HBH, La Palma and WAMC entered into non-cancelable operating leases for their hospital facilities which expire November 8, 2021. These leases have an option to extend the term of the lease for three additional periods of five years each. The lease provides for a monthly base rent ranging from $98,900 to $197,900, which is adjusted annually based on the greater of 2% or consumer price index.

Lease expense consisting primarily of building rent, and equipment leases, amounted to approximately $19,063,000 and $10,692,000 for the years ended December 31, 2006 and 2005 respectively.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2006 are:

	Capital Leases	Operating Lease Commitments
Years ending December 31,		
2007	$ 514,655	$ 21,790,431
2008	342,156	20,335,114
2009	223,251	19,582,257
2010	161,131	17,594,824
2011	36,069	16,226,331
Thereafter	—	151,745,046
Total minimum lease payments	1,277,262	$ 247,274,002
Less amounts representing interest	(133,396)	
	1,143,866	
Less current portion	(448,440)	
	$ 695,426	

Note 8 — Related Party Transactions

The Company leases certain office buildings and parking facilities from a related party. The leases are for five year terms. Rent expense incurred under these leases was $985,025 and $694,985 for the years ended December 31, 2006 and 2005, respectively.

The Company purchases medical supplies from a related party within the normal course of business. For the years ended December 31, 2006 and 2005, medical supplies purchased from the related party totaled $309,035 and $357,576, respectively.

Notes receivable from related parties as of December 31:

	2006	2005
Notes receivable from Action Collection, unsecured, non interest bearing, due on demand.	$ 3,561	$ 18,697
Notes receivable from an officer of the Company, unsecured, bearing interest at 6% as of December 31, 2006, due on demand.	—	62,911
Short term unsecured advances to employees, non interest bearing, due on demand	272,169	504,253
Receivable from DVIL, related to expenses incurred in excess of deductibles.	433,080	—
Notes receivable from related party, unsecured, non interest bearing, payable on demand.	241,612	—
Various	5,939	10,440
	$ 956,361	$ 596,301

Note 8 — Related Party Transactions

Notes payable from related parties as of December 31:

	2006	2005
Notes payable to Sherman Oaks Health System related to acquisition (Note 12) , unsecured, non interest bearing, payable on demand.	$ 94,374	$ 287,576
Notes payable to related party, unsecured, non interest bearing, payable on demand.	5,133,463	1,988,131
Payable to DVIL, related to the financing of insurance premiums.	273,535	—
Notes payable to Action Collection, unsecured, non interest bearing, due on demand.	168,413	—
	$ 5,669,785	$ 2,275,707

The Company uses the services of Action Collection, a related party collection agency to collect delinquent patient accounts receivable. For the years ended December 31, 2006 and 2005, agency fees paid to the related party totaled $2,009,581 and $2,018,355, respectively.

Note 8 — Related Party Transactions (continued)

The Company entered into agreements with DVIL to provide workers' compensation insurance coverage and commercial malpractice liability insurance on a claims made basis (see Note 6). Insurance premiums paid to DVIL totaled $33,421,594 and $9,624,650 for the years ended December 31, 2006 and 2005, respectively. The Company gets reimbursement from DVIL for workers' compensation insurance deductibles paid on behalf of DVIL.

The Company leases certain office buildings and parking facilities from a related party. The leases are for five year terms. Rent expense incurred under these leases was approximately $175,000 for the years ended December 31, 2006 and 2005.

The Company purchases medical supplies from a related party within the normal course of business. For the years ended December 31, 2006 and 2005, medical supplies purchased from the related party totaled approximately $309,035 and $357,576 respectively.

During 2006, the Company advanced $9,000,000 to an officer/stockholder. The advances are unsecured, due on demand and bear interest at 6% per annum. For financial reporting purposes the advances are being reflected as a reduction in stockholders' equity.

Note 9 — Retirement Savings Plan

The Company has a defined contribution pension plan covering substantially all of its employees. The Company's contribution to the plan is at the Company's discretion but limited to the maximum amount deductible for federal income tax purposes under the applicable Internal Revenue Code. During the years ended December 31, 2006 and 2005, the Company made contributions of $513,746 and $0, respectively, to the plan.

Note 10 — Contingencies

The Company is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, it is management's opinion that the liability, if any, from these actions will not have a material adverse effect on the Company's financial position.

Note 10 — Contingencies (continued)

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Company is subject to similar regulatory review, there are no reviews currently underway and management believes that the outcome of any potential regulatory review will not have a material adverse effect on the Company's financial position.

Management believes that the Company is in compliance with government law and regulations related to fraud and abuse and other applicable areas. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Note 11 — Legislation

The Health Insurance Portability and Accountability Act (HIPAA) was enacted on August 21, 1996, to assure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations were required to be in compliance with certain HIPAA privacy provisions beginning April 2003. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes that the Company is in compliance with HIPAA.

Note 12 — Acquisitions

On October 1, 2005 DVMG acquired 100% of the outstanding common stock of Veritas. The acquisition of Veritas expands and compliments the operations of the Company. The purchase price of $1,050,000 was paid in cash to the Veritas shareholders. The operating results of Veritas are included in the DVMG consolidated results from the date of acquisition through December 31, 2005. At January 1, 2006 PHSI acquired 100% of the outstanding common stock at Veritas from DVMG. The purchase price of $1,050,000 was paid in cash to DVMG.

Note 12 — Acquisitions (continued)

The acquisition of Veritas has been accounted for using the purchase method in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations.* The following table presents the allocation of the aggregate purchase price of Veritas:

	Allocation at October 1, 2005
Cash	$ 3,946,394
Patient accounts receivable	10,500,000
Prepaids and other current assets	5,385,839
Supplies inventory	876,212
Accounts payable and accrued expenses	(7,214,190)
Income taxes payable	(3,600,652)
Third party settlements	(2,658,868)
Pre-petiton liabilities	(1,554,114)
Accrued professional liability reserve	(228,000)
Extraordinary gain on acquisition	(4,402,621)
Purchase price	$ 1,050,000

Extra ordinary gain on acquisition of $4,402,621 represents the excess of the fair value of the net assets acquired over the purchase price.

On December 30, 2005 PHS2 entered into an asset purchase agreement “the agreement” with Sherman Oaks Health System. Pursuant to the agreement PHS2 acquired the operating assets and certain capital lease obligations from Sherman Oaks Health System. The purchase price of $695,758 was paid in cash to Sherman Oaks Health System. The acquisition of the operating assets and assumption of the liabilities of Sherman Oaks Health System expands and compliments the operations of the Company.

Note 12 — Acquisitions (continued)

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141. The following table presents the allocation of the aggregate purchase price:

	Allocation at December 30, 2005
Prepaids and other current assets	$ 49,538
Supplies inventory	423,378
Major moveable equipment	846,675
Capital lease obligations	(623,833)
	$ 695,758

On October 1, 2006 HBH entered into an asset purchase agreement with VHS of Huntington Beach, Inc. Pursuant to the agreement HBH acquired the operating assets and certain current liabilities from VHS of Huntington Beach, Inc. The purchase price of $2,048,705 was paid through the assumption of liabilities. The acquisition of the operating assets and assumption of certain current liabilities of VHS of Huntington Beach, Inc. expands and compliments the operations of the Company.

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141. The following table presents the allocation of the aggregate purchase price:

Prepaids and other current assets	$ 300,861
Supplies inventory	395,162
Goodwill	1,352,681
Accrued liabilities	(2,048,704)
	$ —

Note 12 — Acquisitions (continued)

On October 1, 2006 La Palma entered into an asset purchase agreement with VHS of Orange County, Inc. Pursuant to the agreement La Palma acquired the operating assets and certain current liabilities from VHS of Orange County, Inc. The purchase price of $1,527,251 was paid through the assumption of liabilities. The acquisition of the operating assets and assumption of certain current liabilities VHS of Orange County, Inc. expands and compliments the operations of the Company.

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141. The following table presents the allocation of the aggregate purchase price:

	Allocation at October 1, 2006
Prepaids and other current assets	$ 24,698
Supplies inventory	290,752
Goodwill	1,211,801
Accrued liabilities	(1,527,251)
	$ —

On October 1, 2006 WAMC entered into an asset purchase agreement with VHS of Anaheim, Inc. Pursuant to the agreement WAMC acquired the operating assets and certain current liabilities from VHS of Anaheim, Inc. The purchase price of $2,667,653 was paid through the assumption of liabilities. The acquisition of the operating assets and assumption of certain current liabilities VHS of Anaheim, Inc. expands and compliments the operations of the Company.

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141. The following table presents the allocation of the aggregate purchase price:

Prepaids and other current assets	$ 145,159
Supplies inventory	416,311
Goodwill	2,106,183
Accrued liabilities	(2,667,653)
	$ —

Note 13 — Income taxes

Temporary differences that result in deferred tax assets and liabilities at December 31, are as follows:

	2006	2005
Deferred tax assets, current		
Accounts receivable	$ —	$ 533,000
Accrued vacation and other accrued liabilities	—	158,000
State taxes	—	96,000
	$ —	$ 787,000
Deferred tax liabilities,current		
Prepaid expenses	$ —	$ 1,767,000
Deferred tax liabilities, non-current		
Fixed assets	$ —	$ 1,958,000

The components of the provision (benefit) for income taxes for the year ended December 31, are as follows:

	2006	2005
Current		
Federal	$ —	$ 979,950
State	64,521	644,888
	64,521	1,624,838
Deferred expense		
Federal	$ (2,497,300)	$ 2,091,000
State	(440,700)	369,000
	(2,938,000)	2,460,000
	$ (2,873,479)	$ 4,084,838

The income tax benefit for the year ended December 31, 2006 is the result of the Company's change in corporate status from Subchapter C to Subchapter S of the Internal Revenue Code (see Note 1).

Note 14 — Proceedings Under Chapter 11

On June 30, 2005 the bankruptcy court approved Veritas's plan of reorganization from Chapter 11 bankruptcy. Pursuant to the plan Veritas will make payments in full to all creditors with approved pre-petition claims and consummate the plan through its continued operations.

The accounts of Veritas included pre-petition liabilities of $1,219,450 and $1,309,357 as of December 31, 2006 and 2005. Pre-petition liabilities include claims that are expected to be settled as part of the plan of reorganization. Pre-petition liabilities consist primarily of trade accounts payable to unsecured creditors.

Gain on extinguishment of debt of $104,447 and $2,845,071 for the year ended December 31, 2006 and 2005, respectively, represents pre-petition claims that have been discharged by the bankruptcy court or reductions in pre-petition claims resulting from settlement agreements between Veritas and the creditors.

Exhibit 99.2
Unaudited

PRIME HEALTHCARE SERVICES, INC.
CONSOLIDATED FINANCIALS
BALANCE SHEET AS OF September 30, 2007

CURRENT ASSETS	
Cash and Cash Equivalents	$ 31,786,598
Accounts Receivable	355,462,224
Allowance for Bad Debts	(30,458,790)
Alowance for Contractuals	(257,289,498)
Net Accounts Receivable	67,713,936
Other Receivables	14,513,118
Inventories	3,000,910
Prepaid Expenses and Other	18,467,599
Total Current Assets	135,482,161
PROPERTY AND EQUIPMENT	
Land and Land Improvements	—
Buildings and Bldg. Improvements	519,917
Leasehold Improvements	5,166,325
Equipment	65,051,676
Construction in Progress	10,527,535
Total Property and Equipment	81,265,453
Accumulated Depreciation	(25,038,078)
NET PROPERTY & EQUIPMENT	56,227,375
LONG TERM ASSETS	
Long Term Notes	10,000,000
Deposits	411,565
Other LT Assets	22,191,757
Total Long Term Assets	32,603,322
TOTAL ASSETS	**$ 224,312,858**

CURRENT LIABILITIES	
Accounts Payable	$ 24,530,646
Accrued Payroll	17,878,184
Notes Payable	5,801,586
Other Accrued Liabilities	7,419,013
IBNR	3,974,897
Due to (From) Fiscal Intermediaries	7,523,138
Line of Credit	—
Current Portion Long Term Debt	6,221,673
Total Current Liabilities	73,349,137
LONG TERM LIABILITIES	
Capital Leases	506,869
Other Loans	16,429,752
Other Long Term Liabilities	12,248,587
Total Long Term Liabilities	29,185,208
Total Inter-Co Payable / (Receivable)	—
TOTAL DUE TO/(FROM) RELATED ENTITIES	10,949,672
Total Liabilities	**113,484,017**
EQUITY	
Paid In Capital	8,353,701
Retained Earnings	105,845,103
Distribution	(64,844,882)
Current Year Earnings / (Loss)	61,474,919
Total Equity	110,828,841
	—
TOTAL LIABILITIES AND EQUITY	**$ 224,312,858**

Unaudited

PRIME HEALTHCARE SERVICES, INC.
CONSOLIDATED FINANCIALS
INCOME STATEMENT AS OF SEPTEMBER 30, 2007

REVENUE	
NET PATIENT REVENUE	471,323,018
CAPITATION REVENUE	21,463,665
OTHER REVENUE	11,554,161
TOTAL OPERATING REVENUE	**504,340,844**
OPERATING EXPENSES	
COMPENSATION AND EMPLOYEE BENEFITS	213,605,675
PROVISION FOR DOUBTFUL ACCOUNTS	78,696,909
GENERAL AND ADMINISTRATIVE	77,392,573
MEDICAL SUPPLIES	28,078,414
PROFESSIONAL FEES	32,605,348
DEPRECIATION / AMORTIZATION	4,509,755
MEDICAL CLAIMS	4,366,425
TOTAL OPERATING EXPENSES	**439,255,098**
NET OPERATING INCOME (LOSS)	**65,085,747**
INTEREST	2,702,299
PRE-TAX INCOME (LOSS)	**62,383,448**
INCOME TAX EXPENSE	908,529
NET INCOME (LOSS)	**61,474,919**

Unaudited

PRIME HEALTHCARE SERVICES, INC.
CONSOLIDATED FINANCIALS
STATEMENT OF CASH FLOWS AS OF SEPTEMBER 30, 2007

Cash Flow From Operations:	
Net Income	$ 61,474,919
Depreciation	4,336,973
Amortization	0
Minority Interest	0
(Inc)/Dec in A/R	(14,316,409)
(Inc)/Dec in Inventory	(767,296)
(Inc)/Dec in Prepaids	9,453,434
(Inc)/Dec in Other Receivables	(12,613,161)
Inc/(Dec) in Payroll Payables	11,630,366
Inc/(Dec) in Accrued Payables	5,991,395
Inc/(Dec) in IBNR	(4,984,191)
Inc/(Dec) in Other Liabilities	(1,028,302)
Inc/(Dec) in Fiscal Inter	4,882,948
Inc/(Dec) in Other Acc Exp	0
Total Cash From Operations	**64,060,676**
Cash Flow From Investing	
Capital Expenditures	(29,519,083)
Pmts to Acquire Other Assets	0
Total Cash From Investing	**(29,519,083)**
Cash Flow From Financing	
Funds Provided (to) from Related Party	6,236,248
Distributions to Share Holders	(64,844,882)
Shareholder Contrbution	0
Borrow (Repayment) of Debt	42,057,809

Unaudited

(Repayment) of Capital Leases	(188,557)
Net Proceeds From Owners Contribution	0
Pmt for Acquisition	0
Total Cash Flow From Financing/Dist	**(16,739,382)**
Total Cash Flow	**17,802,211**
Beginning Cash Balance	13,984,387
Ending Cash Balance	**$ 31,786,598**